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# The Indonesian Quarterly

Indonesia's Maritime Security Interests:  
Terrorism and Beyond

The 2004 US Election: The Victory of Moral and  
Religious Values?

Problems of Great Magnitude Lay Before Indonesia

Indonesia's Economic Performance: Some Promising Signs

The New Security Environment in the Asia Pacific

Regional Structures and Responses to Security  
Challenges in Southeast Asia

Making Life Easier for the Defence Planner:  
Regional Security Cooperation

Traditional Security Issues with Regard to  
the US Role in the Asia Pacific Region



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## CONTENTS

### ABSTRACTS

2 - 3

### CURRENT EVENTS

- Indonesia's Maritime Security Interests: Terrorism and Beyond  
*Rizal Sukma*

4 - 8

- The 2004 US Election: The Victory of Moral and Religious Values?  
*Ari A. Perdana*

8 - 12

### REVIEW OF POLITICAL DEVELOPMENT

- Problems of Great Magnitude Lay Before Indonesia  
*Christine Susanna Tjhin and T. A. Legowo*

13 - 35

### REVIEW OF ECONOMIC DEVELOPMENT

- Indonesia's Economic Performance: Some Promising Signs  
*Staff, Department of Economics, CSIS*

36 - 49

### ARTICLES

- The New Security Environment in the Asia Pacific  
*Carolina G. Hernandez*

50 - 60

- Regional Structures and Responses to Security in Challenges in Southeast Asia  
*Mely Caballero Anthony*

61 - 73

- Making Life Easier for the Defence Planner: Regional Security Cooperation  
*Ron Huiskens*

74 - 83

- Traditional Security Issues with Regard to the US Role in the Asia Pacific Region  
*Brad Glosserman*

84 - 93

# ABSTRACTS

## THE NEW SECURITY ENVIRONMENT IN THE ASIA PACIFIC

*By* Carolina G. Hernandez

The security issues in the Asia Pacific continued to be the central focus in the study of international relations. The strategic interplay among the major powers continued. They all have strategic stakes to be maintained in the region, and it is due to their long term strategic interest that those major power felt the need to strengthen, if not perpetuate, their political as well as strategic and economic presence in the region. The article examines the strategic consequences of the long-term interest of the major powers on the stability and security of Northeast and Southeast Asia.

## REGIONAL STRUCTURES AND RESPONSES TO SECURITY CHALLENGES IN SOUTHEAST ASIA

*By* Mely Caballero Anthony

Southeast Asia and the wider Asia have become a hotbed of crises — some are nascent while others are simmering. Unless these crises are resolved or managed carefully, the region could find itself engulfed in a maelstrom of security threats. This article assesses how regional institutions such as ASEAN have managed regional crises and examine the prospects of new mechanisms that have emerged or are being proposed to address new security challenges in the region.

## MAKING LIFE EASIER FOR THE DEFENSE PLANNER: REGIONAL SECURITY COOPERATION

*By* Ron Huiskens

A credible defense capability is something all countries need. But it should minimize the risk of rising concerns in the neighbourhood and creating the potential for cycles of competitive acquisition. In building a coherent defense capability, it is more valuable to have predictable levels of founding than to aspire to larger, stressful increases that are likely to be unsustainable. The changed strategic environment raised the need for new policy options to deal with new security issues, and regional security cooperation is a potentially powerful tool in this regard.



## TRADITIONAL SECURITY ISSUES WITH REGARD TO THE US ROLE IN THE ASIA PACIFIC REGION

By Brad Glosserman

The United States is a Pacific power and has many reasons to remain engaged in the region. The primary motivation behind US statecraft in all of its manifestations of the past 200 odd years has been to be included in—or perhaps more apply, not to excluded from—East Asia. America's policy prescriptions for Asia—in other words, its strategic choices—have revolved around that simple objective. This paper will discuss US policy toward Asia, China's rise, and strategic balance. Critical policy debates will focus on the interaction of the three.



The *Bulletin of Indonesian Economic Studies* (BIES) is a peer-reviewed journal published by the Indonesia Project, The Australian National University.

The journal fills a significant void by providing a well respected outlet for quality research on the Indonesian economy and related fields such as law, the environment, demography, education and health. In doing so, it has played an important role since 1965 in helping the world, and Indonesians themselves, to understand Indonesia. In addition to papers reporting economic analysis and research, each issue leads with a 'Survey of Recent Developments', which aims to be accessible to non-economists, and helps to account for the journal's diverse readership within academia, government, business and the broader public.

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## CURRENT EVENTS

# Indonesia's Maritime Security Interests: Terrorism and Beyond\*

Rizal Sukma

IT has been often said that the terrorist in the United States on the September 11, 2001, reflect "a failure of imagination" on the part of intelligence and security apparatus. On that day, the terrorists on board of the unfortunate commercial airplanes used a previously unimaginable method in carrying out their horrific attacks on thousands of civilians. The attacks, and number of victims, and the method the terrorists used, have changed the nature of terrorism as we know it. Airborne terrorism, which previously often took the form of hijacking the plane, has now taken the most deadly form of turning the commercial airplane full of innocent civilian passengers

into a "weapon" which were then used by the terrorists to launch another deadly attack on civilians at other places.

In the interest of preventing future attacks, such shocking method used by the terrorists on September 11 has then led us to explore not only other possible ways by which the terrorists might wreck havoc in the future, but also where such attacks might take place. In that context, the state of maritime security, especially in Southeast Asia, has become a major concern for many countries—both regional and extra-regional countries—whose economy depend on the unhindered free flow of shipping in the region. Indeed, as Southeast Asia constitutes one of the busiest sea lanes and trade routes, the region has been seen as a theatre where the potential and the possibility for maritime terrorism to occur here are great. Consequently, the attention from both within and outside the region on

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\*Paper presented to the Indodefense 2004 Forum on "Regional Defense Strategies: Cooperation in a Changing World" organized by the Centre for Strategic and International Studies (CSIS), Jakarta, PT. Napindo Media Ashatama and the Department of Defense, Jakarta, Indonesia, 25-26 November 2004.



the maritime safety and security has increasingly grown stronger over the years since September 11. Indonesia, as well as the sea lanes within and around the country, unfortunately, has become a major focus of attention in this regard. Indonesia, which is often perceived as "not doing enough" to combat terrorism, has been a persistent target of criticisms by others. The perceived weakness in combating terrorism at home is also seen as indicator for Indonesia's weakness in dealing with the threat of maritime terrorism. The fact that incidents of piracy have been relatively high in and around Indonesia's territorial waters is often seen as a factor that increases the possibility of terrorist attacks that would threaten the safety of navigation and transportation, disrupt the free flow of shipping, and in turn, undermine international trade so critical to economic interests and growth of many countries.

It is really an understatement to say that Indonesia has not understood the nature and challenge of threats of maritime terrorism. As an archipelagic state, Indonesia clearly understands that a secure environment for economic growth can be disrupted by terrorists' acts against the safety of navigation and security of sea-lanes, as well as the safety of ports and cargoes. The financial and economic consequences of such possibilities on the-costs of business and trade activities are

enormous. For one, increased risk perceptions will lead to higher risk premiums and, in turn, discourage investment. Indonesia also understands fully that as most of world's largest seaports are located in East and Southeast Asia, maritime security is clearly critical for promoting trade flows and the sustainability of economic growth. And, terrorism is indeed a threat to that. After all, Indonesia is a victim of the most devastating terrorist attack, since the attacks on September 11 on the US, with grave consequences for Indonesia's economy and economic recovery efforts.

As a member of APEC, Indonesia in the APEC Summit of 2001 in Shanghai had agreed to join hands with other APEC countries and economies to combat terrorism by, among others, adhering to relevant international requirements for the security of air and maritime transportation, and the enhancement of airport, aircraft, and port security. More importantly, Indonesia has stepped up its efforts to safeguard the security of sea lines and communication (SLOCs), especially in the Malacca Straits. Indonesia has also stepped up its participation in coordinated patrols with Malaysia and Singapore to ensure the security of Malacca Straits. The results are not bad. For example, as Indonesia's Vice Admiral Didik Heru Purnomo revealed, the joint patrols involving Indonesia's navy and the navies of Malaysia and Singapore had begun squeezing

pirates out of the busy water-way since they started. Unilateral measures, such as patrols of around vulnerable waters within Indonesia's jurisdiction are also being carried out and stepped up by the Indonesian Navy.

It is true that such measures have been primarily meant more to address the problem of maritime piracy rather than maritime terrorism *per-se*. However, as the links between piracy and terrorism are there, combating one would certainly reduce the likelihood of the other. This is not meant to say that there is no need for Indonesia, and other ASEAN countries, to devise a broader strategy to prevent maritime terrorist attacks. In fulfilling this need, however, the problem is both political and conceptual. As Bantarto Bandoro has noted, "the issue of security in the Malacca Strait has, in reality, split the region over whether there is a parallel between maritime piracy and acts of terrorism." Indeed, "finding exact definitions for piracy and terrorism has been problematic for national and international policy-makers alike. Many are unsure at which point piracy becomes terrorism."<sup>1</sup>

The problem facing Indonesia in ensuring maritime security is also related to the problem of limited capacity and capability of its navy. In fact, it is not exaggeration to say that Indo-

nesia's navy, despite Indonesia's nature as a maritime state, has not been well developed. It suffers from a serious lack of adequate funding, and inadequate vessels and weaponry. In short, the Navy is under-manned, under-equipped, and underpaid. Moreover, Indonesia does not have a coast guard of its own desperately needed to boost the security of its coastal areas and territorial waters.

The challenges to Indonesia's maritime security interests also stretch beyond terrorism. First, the tasks of the Indonesia's armed forces are indeed enormous. The challenge of maintaining the territorial integrity, which has increasingly come under serious threat since 1998, has become a priority for Indonesia's military. In that context, the already limited capacity of its navy has also been diverted further due to the problems of internal conflicts, especially the problem of separatism and communal violence. Those conflicts, such as in Aceh, Papua, Kalimantan and Sulawesi, have taken up the attention and the use of navy resources, which in turn reduce its capability and frequency to patrol the Malacca Straits and other areas.

Second, in relation to the first problem, there is also concern regarding the problem of small arms smuggling in the region and its impacts on Indonesia. Indeed, in Southeast Asia, the question of illicit arms trafficking has

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<sup>1</sup>The Jakarta Post, 29 July 2004.



in fact been decades-long problem. During the 1960s and 1970s, for example, many Maoist insurgency movements in the region—such as in the Philippines, Thailand, Malaysia, and Indonesia—relied on weapons smuggled from Communist China. As various forms of violent conflicts remain presence in many parts of the region, it is believed that arms smuggling activities have continued until today. A major arms haul in Southern Thailand two years ago, in which rouge elements within Thai military tried to ship weapons reportedly destined for the Free Aceh Movement (GAM) in Indonesia, highlighted the growing problem of illicit arms trafficking and smuggling in Southeast Asia, with serious security implication for Indonesia.

Demands for small arms in the region have come not only from armed separatist movements, such as in Aceh in Indonesia or Karen in Myanmar, but also from criminal organizations and other interested buyers. In the case of Indonesia, for example, it is believed that inter-religious conflict in Maluku Islands has also been aggravated by the inflow of smuggled weapons from abroad to the conflicting parties. In such circumstances, small arms are much preferred as they can easily be assembled and re-assembled, and do not require a sophisticated training for maintenance and operation. And, these small arms travel through the sea into conflict prone areas.

Third, as stated in the 2004 Defense White Paper (DWP), Indonesia has also acknowledged "the threat to Indonesia is more possible in the form of non-traditional threats"<sup>2</sup> especially those threats with clear maritime dimension. The DWP clearly identifies piracy and armed robbery at sea, illegal migration, illegal fishing, illegal logging, women and children trafficking, and smuggling of goods and drugs as the threats to Indonesia's security interests. These non-traditional security threats cost Indonesia billions of dollars annually, not to mention the human suffering they inflict on Indonesians and others who become victims. These threats are all maritime-based, and therefore require maritime responses from the Navy. What needs to be done? First, Indonesia should no longer delay the development of its navy. The foundation for this has actually been laid down in the Law No. 3/2002 on National Defense. The Law clearly states that Indonesia's defense posture should be developed in accordance to the characteristic of the Indonesian state as an archipelagic state. As the existing security threats to the country are mainly maritime-based, then the need to develop the Navy has even become more urgent and pressing. There are indeed now both legal and actual basis for Indonesia to embark upon the modernization of its navy. Otherwise, Indonesia will always be seen as a weak chain in the concerted efforts in

the region to ensure and maintain maritime security.

Second, Indonesia cannot do it alone in either developing its Navy or ensuring national and regional maritime security. The support from, and cooperation with, other nations are indeed imperative. This should be done both through bilateral and multilateral channels. Priority should be given to cooperation within ASEAN, and the ASEAN countries are expected to

give higher priority to develop a more solid and deeper maritime cooperation among other fellow ASEAN countries. The modernization of Indonesia's Navy will also depend on a sincere support from extra-regional powers, such as the United States, Australia, and Japan. Such support, in whatever forms possible, would certainly improve the capacity of Indonesia to join other nations to play a more active and able role in ensuring the security and stability of the region.

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## The 2004 US Election: The Victory of Moral and Religious Values?

*Ari A. Perdana*

THE people of the United States have exercised their right to vote. Approximately 52% of the voters have chosen to retain their mandate for George W. Bush as their president for the next four years. In the November 2004 election, Republican's George W. Bush-Dick Cheney defeated their rival from the Democratic Party John F. Kerry and John Edwards after winning 286 out of 538 electoral votes. Not only Bush-Cheney won the majority of the electoral votes. They also gained a definite mandate

by winning 52% of the popular vote. The last time a US president gained more than 50% of the popular mandate was when George H.W. Bush defeated Michael Dukakis back in 1988.

Here in the US, election used to be merely a 4-year routine. But this year's election is, for two reasons, has a different atmosphere. The nation has never been so divided in the campaign issues, especially on the foreign policies and moral values. *New York Times* columnist Tom Friedman wrote



a day after Kerry conceded (11/4) that this year's election is more than just an election. Rather, "it is a station of identity". It was not about the vote of confidence for a better policy. More than that, it was a choice of ideology and philosophy that characterized American people.

It is true that the 9/11 has changed the mindset of Americans towards domestic security. That's why almost all Americans, be it Republicans or Democrats or independent, completely support President Bush' effort to combat terrorism. However, only half of them agreed with what their president has done in Iraq. The other half only feel that the approach taken by their government has made Americans more isolated from the rest of the world.

But what has been the most surprising thing in this year's election is how 'moral values' have been a major cause of division. Homosexual marriage, abortion and stem cells researches were the three most dominant issues, apart from the usual foreign and domestic policies debate, in the campaign. And according to a NY Times poll, 22% of the voters admitted that 'moral values' were the main reason for them in choosing their leaders. They were more important than economic situation, security, Iraq or health care issues.

Eighty percent of this group unsurprisingly gave their votes to Bush,

which has been portraying himself as a religious, conservative leader. He took a stand against abortion, gay marriage and stem cells researches. He also tends to use religious jargons in his formal speeches. He believes that his presidency is God's will, as he said in his 2000 inaugural speech. During the presidential debate, he described himself as having a 'solemn duty' to protect America.

The image he created, and a great help from his senior advisor Karl Rove's brilliant strategy, has won him 60% of the Christian and Evangelist voters and more than a half of Catholic voters, according to a CNN exit poll. Some 70% of this group admitted that they attend churches regularly every week. Bush also won the majority votes of the Catholics, accounting for 27% of total voters. This was an irony for Kerry, who is a Roman Catholic. His position in the controversial issues brought him strong resistance from the American Catholic Church officials, who even urged the Catholic voters not to vote for Kerry.

## THE CRISIS OF THE DEMOCRATIC PARTY?

John Kerry's defeat in the 2004 election means that the Democratic Party won only two of the last seven elections. Meanwhile, Bush' success in retaining his position was also followed by the Republican's success in maintaining the legislative majority.

The 'Grand Old Party'—a nickname for the Republican—won 60% of the parliament seats. In the Senate, they also stole some seats that was previously Democrats', making the composition in the Senate to be 55:45.

One reason for the Democrat's defeat was the 'Kerry factor'. Apparently, Kerry was not strong enough to be a contender for Bush. Bush' campaign team has successfully dragged the public opinion that Kerry is an opportunistic, flip-flopper politician that often changed his positions. Even many Democratic supporters still had some reserves over him.

Being a liberal politician from Boston, Massachusetts also turns out to be a liability for Kerry. As a strategy, this did not create a value added for the Democratic Party. In Massachusetts and other New England states, most votes are almost definitely going to the Democratic candidates, whoever he or she is. However, it was hard for Kerry to attract voters from the Southern States, who tends to have some kind of sentiments against the Northern liberal politicians.

Kerry actually performed convincingly in the three-round debates against Bush. Many pundits and observers considered him outperforming Bush in the first two rounds, while the last round was relatively tied. But this did not give him enough boosts of voters to win the election.

Apart from the Kerry factor, Democratic Party's defeat from the Republican depicts the growing unpopularity of the party's liberal ideology. During the past few years, the Democrat Party has been moving towards the extreme left of the political spectrum (in the American context, 'left' is 'liberal'). They were very progressive on advocating the issues of gay marriage and rights, abortions or stem cells research.

However, at the same time the Democrats are moving left, the wind in the US is blowing to the 'right'. In the beginning of this 21st century, America is in the making of a religious, conservative nation. Unlike the secularizing Europe, the traditional family and religious values are growing stronger in the US. This somehow matches with Bush and Republicans' strategy in creating image as a religious and 'compassionate conservative' leader. Bush and the Republicans are strongly against abortions, gay marriage and stem cells research. Their policies also attempt to promote traditional families and marriages and disfavor single parents.

This situation creates a paradox. While the conservatives are celebrating their political victory, conservative ideas are underrepresented in the academic world. A recent article of *The Economist* brought the issue that the diversity of political ideas is getting less in many leading US universities.



There is a shortage of faculties that can represent the conservative ideas.

If this election was held 5 years ago, it is almost impossible that Bush would win. During his administration, the US economy experienced a recession, double deficit and increasing unemployment. His corporate tax cut policy was criticized for favoring the rich more than the poor, but at the same time he cut the budget for health and education. Even though Kerry and the Democratic Party promised to deliver tax cut for the poor, social security reform and fiscal discipline, these issues were not strong enough to gain victory. Most Americans still favored the conservative ideas offered by the Republicans.

Now the Democrats have to wait for four more years. The 2008 election will be a test for the party as well as the liberals. Democrats will have to move from the extreme left to the center to become less controversial and more acceptable for a wider public, just as Clinton did in 1992 and 1996. But at the same time, they will not want to lose their liberal constituents in the issues of gay marriage, abortion or stem cells research. This is the tricky part of the politics.

## THE SIGNIFICANCE OF RELIGION

The result of the 2004 US election illustrates two things. First, religion is

indeed very significant in the US politics. It is not a new phenomenon after all. In his 2004 article entitled "The Politics of God", Richard Parker, Harvard's professor of public policy, wrote that Kennedy's success in 1960 was due to the full support of the Catholic voters. So were Carter's and Reagan's success that were due to their success in mobilizing supports from the Evangelist Christians.

Second, in the US the concept of separation of religion and state is a blurred thing. This is reflected by the religious jargons and symbols used many times by Bush. Some journalists wrote that the White House is now full of religious and spiritual sermons. It was very much different from rock music atmosphere during Clinton's era.

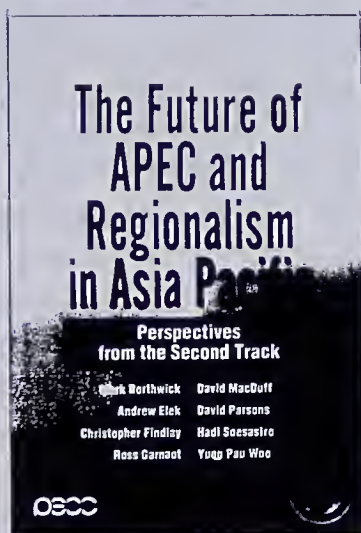
Sukidi Mulyadi, a student at the Harvard Divinity School, once argued that even though US is still a secular state, it does not mean that the religious and moral values disappeared from Americans' daily lives. Most Americans continue to seek, preserve, and even redefine those values in the public and political domains. According to Mulyadi, this phenomenon should be seen as an objective fact, putting any moral judgments aside. A different tone was raised by Gary Wills, Northwestern University's professor of history. In his column in the *New York Times*, he wrote that if secularism was a product of the enlightenment, then the result of the last election was "the day when enlightenment dies".

Apart from the question of moral judgment, there is one question for the American people. Is the election then a triumph of political morality? Are we seeing a new America, where moral and religious values will play more important role in politics?

Never ask those questions to Bush and his supporters. Rather, ask them

these questions: what moral values are there to justify lying so many times about the WMD, as well as ignoring the international rules of the game and killing many innocent citizens in Iraq? What moral values are adopted in banning abortion but at the same time the funds allocated for health, education and basic supports for the then-born child are reduced?

## THE FUTURE OF APEC AND REGIONALISM IN ASIA PACIFIC: PERSPECTIVES FROM THE SECOND TRACK



*Published by:* Centre for Strategic and International Studies (CSIS), Jakarta.

This book focuses on Asia-Pacific economic cooperation. Over the last 25 years the phenomenal economic growth and development brought about by the wave of globalization have encouraged the emergence of trans-Pacific relations in the form of Open Regionalism. To achieve such relations requires APEC's real progress.

In 2005 APEC has reviewed its agenda, implementation modalities, and institutional structure with a view to reinvigorate the community building process in the Asia Pacific. The studies and discussions undertaken by PECC over the years have consistently addressed those issues and challenges.

This compilation contains 7 papers discussing some of the most pressing issues in trans-Pacific cooperation today. It attempts to answer questions such as: What will be the organizing principal behind trans-Pacific cooperation?; Who will be the members of that cooperation?; and, Will it matter either more or even less? This book is hoped to be the first step leading to a region-wide discussion on the future of trans-Pacific relations.

*Contributors:* Mark Borthwick, Andrew Elek, Christopher Findlay, Ross Garnaut, David MacDuff, David Parsons, Hadi Soesastro, Yuen Pau Woo

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## REVIEW OF POLITICAL DEVELOPMENT

# Problems of Great Magnitude Lay Before Indonesia

*Christine Susanna Tjhin and T. A. Legowo<sup>1</sup>*

A S year 2004 was about to fizzle out, Indonesia was hit by the greatest unprecedented natural disaster that callously swiped away over 100,000 lives and hundred thousands of futures in the coastal areas of Banda Aceh and North Sumatra. In spite of interesting developments on the political plateau throughout this quarter, mostly they have been overshadowed by the hectic dynamics of post *tsunami* recovery process.

Despite positive notes on trans-national solidarity, civil society initiatives, and the opening of Aceh, problems of great magnitude lay before Indonesia. Amongst the gravest ones

are weaknesses in disaster management, confusion in government leadership, the use of typical centralistic top-bottom approach. In addition, there were also problems of xenophobic views against foreign military presence, the suspected return of military might, threats of corruption, and lack of accountability in managing enormous humanitarian aids, dubious meaning of the peace talk in Helsinki between GAM and government, etc.

Apart from those problems, there were also some political problems. As SBY-Kalla administration had passed their 100 hundred presidential days, they had received some critical assessments towards the government's poor performance. Large-scale corruption campaign may or may not be supported by appropriate capacity as well as adequate political will. The Attorney

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<sup>1</sup>The authors would like to acknowledge and express their gratitude for the primary data and others made available by Ms. Yoanita Tahalele, a CSIS intern, for this report.

General, Corruption Eradication Commission (KPK), and the Police are in the limelight of this brouhaha.

Golkar, being the largest and most powerful political party so far, has a new leadership. Vice President Jusuf Kalla won the seat and shifted the political constellation in the country. Immediately after his inauguration, the Nationhood Coalition (established by Akbar Tandjung) was dismantled. There is no hope for opposition from this party, obviously, despite whatever rhetoric Mr. Vice President would like to throw to the media.

Democratic political parties and party system in Indonesia seem very unlikely to undergo any progress in the near future. The power shift in Golkar that resulted in more space for current government to move is not the only worrying thing for the development of democratic political parties and party system. Almost all of the major parties that have gotten seats in the government are showing indications of down falling.

Leadership and regeneration are the two key problems facing the major parties. While PDI-P is looking at internal forces that wish to topple down Megawati, PAN is facing internal rift, as no one is suitable enough to replace Amien Rais and at the same time elements from Muhammadiyah threatens to leave the party. PD has been experiencing some internal problems,

as senior members felt threatened by Yudhoyono's inclination to reward the members of his former success team with elite post in the party.

The path for democratization also relies heavily on the constitutional structure. Constitutional arrangements bring about direct crucial impact to the checks-and-balances mechanism between state institutions as well as the formation of territorial governments under the pretext of decentralization and principles of subsidiarity.

Previous amendments of the 1945 Constitution have led to the establishment of the new Regional Representative Council (DPD) and new electoral regime of direct elections. The amendments, however, did not leave the Constitution without loopholes that pose threats to democracy. The limited mandate of DPD and exclusion of regional elections from the general election regime are the two greatest challenges for a democratic constitutional reform.

Starting from June 2005, Indonesia will embark on its first direct regional elections that involve the election of 225 regional authorities (more than half of regional authorities in Indonesia). Challenges are manifold and uneven in various areas. Tardiness of the bureaucracy has augmented the concerns of not being able to conduct the electoral process in time and with quality. Already it is difficult to con-



duct regional elections according to the initial schedule, now that it has exceeded the timetable, it would be even tougher to ensure quality free and fair elections. Additionally, limited budget allocation threatens to exacerbate the processes.

Early December 2004, Legislation Body of the Parliament (*Baleg DPR*) and Ministry of Justice and Human Rights formed a joint working group to formulate the National Legislation Program for 2005-2009. On 1 February 2005, a list of 284 Bills were approved by the Parliament and 55 of them will be the priority of 2005.

Several other important events for Papua occurred throughout December 2004 as well. On 23 December 2004, President Yudhoyono announced the Government Regulation 54/2004 on establishment of the Papuan People's Assembly (*Majelis Rakyat Papua* or MRP). Under the regulation, regional authorities of Papua were given the instruction to the establishment process of MRP by electing 42 representatives, equally represented by indigenous, women and religious communities in Papua. On 26 December, President Yudhoyono celebrated Christmas in Jayapura. There he re-stressed the imperativeness of implementing Special Autonomy (*Otsus*) in a "comprehensive, complete and dignified" manner. He also acknowledged the crucial role of the MRP for *Otsus* and that the implementation of regional elections in

Papua must be conducted under the pretext of Law No. 21/2001 on Special Autonomy of Papua.

During this quarter, Indonesian human rights development encountered the biggest irony in history. On the one hand, the bleak picture of human rights struggles is manifested in the investigation of the death of a highly respected human rights defender, Munir that has gone nowhere not fast. On the other hand, on 17 January 2005, Indonesia was anonymously elected as the Chair of the United Nations Commission for Human Rights by its 53 member states.

The National Intelligence Agency (BIN) has a new head, Syamsir Siregar who promised that he would lead the fight against terrorism and separatism. At the same time the intelligence bill is currently being discussed at the State Secretariat. Appointment of three new military Chiefs of Staff by President Yudhoyono will also be touched upon in the final section.

## THE PAIN OF ACEH, THE SORROW OF INDONESIA

On 26 December 2004, beyond anyone's expectation, a massive earthquake followed by killer giant wave known as tsunami shattered the coastal areas of Banda Aceh and North Sumatra. The overall casualties have gone way beyond any other disaster areas in Asia. UN/OCHA data

(per 14 January 2005) reported 110,229 died. By 27 January 2005, Ministry of People's Welfare reported: Around 99,031 bodies were buried; 127,749 were reported missing; 417,124 people sheltered in 66 camps in 18 regencies and cities across Aceh. Around 2.5% of the internally displaced persons (IDPs) are children (9,106) and no exact records on women.<sup>2</sup>

The *tsunami* has highlighted heart-felt trans-national solidarity with the outpouring of humanitarian aids, the importance of civil society initiatives in responding to the disaster rapidly, and the opening of Aceh<sup>3</sup> that has long suffered alienation. The first two factors are immensely crucial during the time of utmost need, especially with the tardy performance of the government in coordinating the much-needed immediate assistance in disaster areas.

## DISASTER MANAGEMENT'S WEAKNESSES

Inefficient institutional mechanism is a major contributing factor to the

state's poor performance. Technically, the National Coordinating Board for Disaster Management and IDPs Affairs (*Bakornas*) has been established to coordinate disaster prevention, mitigation, response, and recovery nationally for around 40 years.

This board is currently chaired by the Vice President and placed under the Ministry of People's Welfare. Members include several ministries, such as: Home Affairs, Social Affairs, Health, Settlement and Regional Infrastructure, Communications, and Chief Commander of the Armed Forces (TNI) and the Police. It has several coordinating units at the provincial level (*Satkorlak*) and district/municipal level (*Satlak*).<sup>4</sup> Other than that, institutions responsible for Aid Management are Ministry of People's Welfare, Ministry of Finance and State Minister for National Planning Development Agency (*Bappenas*).

The gaps between government assessment and that reported by civil society are indicative of miscommunication and poor vertical coordination. Criticisms over how the government refused to apply participatory approach in managing Aceh culminated on 19 January 2005 when the President reached

<sup>2</sup>The *Jakarta Post*, 27 January 2005.

<sup>3</sup>The catastrophe hit several areas in Aceh province as well as North Sumatra. The most severed areas are, among others, Banda Aceh and Meulaboh. This report will refer mostly to the term "Aceh" as a province — as it may well be representative of the most severed areas and the most relevant subject with distinct historical and political context to the national discourse of national security. The reference is not by all means a disregard to other disaster areas.

<sup>4</sup>Source: Reports of the State Minister for National Planning Development Agency (*Bappenas*) for the Consultative Group on Indonesia (CGI) Meeting in 19-20 January 2005.



a consensus with the Parliament for the establishment of an Aceh Authority Body (*Badan Otorita Aceh*/BOA) by March 2005.

Civil society and, most importantly, critical elements of the Acehnese people have been left out from this discourse even though that the original idea of a special body to manage recovery process of Aceh came from the civil society.<sup>5</sup> Up to this point, the government has not clarified on how to ensure that there will be no clashes of duties between:

- (1) The Regional Authority (*Pemda*) in Aceh (that supposedly holds the mandate of Aceh Special Autonomy based on Law No. 18/2001);
- (2) The Civil Emergency Authority (whose dominant existence has recently been re-instated with the flimsy justification that the TNI, since 26-18 January 2005, has disarmed 330 GAM members, shot 101 dead, put 69 in jail and got 160 turning in)<sup>6</sup>; and
- (3) The upcoming BOA.

As if institutional ineffectiveness and confusion were not enough, political strives have to be inserted into

the scene. Media reports on the tensed competition between President Yudhoyono, who has been depicted as indecisive, and Vice President Kalla, who has been described as 'carrying the sins of a businessman'. Such image of rivalry peaked when President Yudhoyono ordered a critical review of the *Bakornas*' performance on 17 January 2005. Whether or not such reports is justifiable, the image has tarnished the performance of the State.

### PEACE-ORIENTED HUMANITARIAN EFFORTS

The military factor is also of great concerns in the recovery process. In light of the earlier xenophobic inclination against foreign military troops conducting humanitarian efforts in Aceh early January 2005, General Endriartono Sutarto, Chief Commander of TNI, in contrast acknowledged that the TNI has limited capacity in dealing with emergency relief and gave credit to the national/local and international civil society actors for their immediate responses in helping the victims. He also has declined the President's indication that the TNI should take charge of the emergency relief coordination.

Ironically, however, militaristic approach slowly but surely has taken over the recovery process. The military's preference to close Aceh again was believed to be the main reason behind xenophobic demands for international

<sup>5</sup>Source: *AcehKita.Com*, 7 February 2005. For further information, go to: <http://www.acehkita.com/content.php?op=modload&name=berita&file=view&coid=2544&lang=>

<sup>6</sup>*Tempo Interaktif*, 25 January 2005.

actors to leave Aceh.<sup>7</sup> Complaints from civil society organizations ranged from military's monopoly over aid distribution, discriminative aid distribution against areas allegedly occupied by the Free Aceh Movement (GAM) and cases of hostilities and abuses by the TNI against local civil society workers, as one prominent yet peculiar case of Farid Fakhri from Government Watch (GOWA) in Aceh.

Apparently, the local government and security authority were amongst the devastated ones during the catastrophe. This, however, cannot justify the centralistic and militaristic (but miserably poor) coordination by the state authority. In addition, confusion as the ramification of wavering leadership, twisted coordination and earlier communication limitations have spoiled humanitarian efforts by international as well as national communities.

The complexities of the Aceh situation are offsprings of a more profound and historical factor — i.e., Civil Emergency status of Aceh. This particular context has been lurking on the back of the jittery government actors' head in responding to literally every non-government initiatives related to humanitarian efforts, security maintenance, as well as the planning, implementation and monitoring of recovery processes in Aceh.

Thus, such lack of peace-oriented vision has not only undermined the humanitarian assistance but also has completely disregarded participatory empowerment and left human rights factor in the whole processes high and dry. Recovery of Aceh must not only a recovery from *tsunami* damages since 26 December 2004, but from a historical wound that has taken and impaired millions of life from all sides (Acehnese, military, GAM, etc.) since 1976.<sup>8</sup>

### SHOW ACEH THE MONEY

Despite the caution that submitted funds may not reach the pledged ones<sup>9</sup>, fear of corruption is another real concern especially with the outpouring of billions of US\$ for Aceh recovery. It is very difficult to have an exact number of the funds since it would come not only on the government-to-government level, but also from

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<sup>8</sup>Remarks made by Rafendi Djamin, Coordinator of the Human Rights Working Group (HRWG) and Henry Simarmata, External Officer of the Indonesian Legal Aid and Human Rights Association (PBHI) during the Asian Civil Society on Post Tsunami Challenges Consultation Meeting in Bangkok, Thailand, 13-14 February 2005.

<sup>9</sup>One of the national media warned this with the example of the Iran earthquake disaster in Bam, where of US\$1.1 billion pledged, only US\$17.5 million was actually realized. Not all of the realized ones are in the form of cash funds; some were integrated to the logistical and infrastructure costs of relief efforts. A bulk of them would also be in the form of soft loans, instead of full grants (*Kompas*, 31 January 2005).

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<sup>7</sup>Heated debates occurred in the media by last week of January 2005.



private sectors from within the country as well as abroad.

According to *Bappenas* report, damage and loss assessments could quantitatively reach US\$4.45 billion, equivalent to 2.2% of national GDP.<sup>10</sup> Ministry of People's Welfare reported that the government has collected US\$ 99.34 million worth of fund, mostly from state-owned companies, provincial authority owned companies, regional administration and central gov-

ernment budget. The UN reported that of US\$977 million pledged for tsunami in Asia, US\$717 million has actually been submitted. How much this would be allocated for Indonesia remains unknown. From the tentative report by the Ministry of Foreign Affairs, of 48 countries pledging to give aid, only 5 has submitted.

### ANOTHER CHANCE OF RECONCILIATION

After a long feud since 1976 and the collapse of the peace talk in Tokyo (May 2003), on 13 January 2005, GAM leaders in exile called for ceasefire dialogue with the Indonesian government and the government welcomed the call. The peace talk has resumed in Helsinki on 27 January 2005 and was facilitated by Crisis Management Initiative (CMI), a mediation group headed by Martti Ahtisaari, former Finnish president.

The Indonesian delegation, led by Widodo AS (Coordinating Minister for Political, Legal and Security Affairs), comprises Hamid Awaludin (Minister of Justice and Human Rights), Sofyan Djalil (State Minister of Communications and Information), and senior military officer Maj. Gen. Syarifuddin Tippe. The GAM delegation is represented by Malik Mahmood (self-styled prime minister), Zaini Abdullah (foreign minister) and Bakhtiar Abdullah (GAM spokesman).

Table 1

#### INTERNATIONAL AID FOR INDONESIA BY COUNTRY AND STATUS (IN US\$ MILLION)<sup>11</sup>

Country	Pledged	Submitted
Japan	500	146
Brunei		
Darussalam	-	0.1
Iran	5.5	1.5
South		
Korea	52	0.2
Turkey	155.6	30.6

<sup>10</sup>This is an estimation of replacement costs, not reconstruction costs. Replacement costs estimates the actual damages (direct impact) and losses (indirect impact). It is indicative of how much the government has to replace, including the original assets that were damaged and income lost at their original location and specification. The number may well increase if new location and specification are required.

<sup>11</sup>Source: *Kompas*, 31 January 2005. For the list of countries pledging to provide relief assistance, visit: <http://www.deplu.go.id/2003detail.php?doc=5dc718f0d8c31e3db113a8331ea3566c>. (Latest update 30 December 2004).

Supports to give another chance of reconciliation came from multivarious groups from government to civil society actors. The peaceful reconciliation was considered better in order to smooth the recovery processes that are already so demanding and complicated. TNI reported that over 2,500 rebels were killed since 2003 though human rights activists maintained that most of the victims are actually innocent civilians.

The Chairman of the Parliament, Agung Laksono, suggested giving amnesty for GAM members.<sup>12</sup> Some civil society actors in various media reports even proposed that GAM leaders be allowed to run in the upcoming regional elections (even though there are doubts over whether or not it is feasible to conduct regional elections in 15 regencies in Aceh by June 2005).

By 25 January 2005, the government revealed the optimistic tone of the peace talk as GAM leaders agreed to drop the independent option and willing to consider special autonomy status or "self-government".

Other civil society elements tossed up some doubts and criticisms over the over-rating of GAM leaders in Sweden. There are several arguments behind such criticisms, amongst others: (1) The Acehnese in general has been excluded from the processes; (2) There

are actually no effective command line between GAM leaders in Sweden and ones in Aceh; (3) Both the GAM leaders based in Sweden and the government has not clarified on how they define "special autonomy" or "self government"; (4) There has been no transparency in the peace talks thus justifying the allegation of money politics amongst political elites.<sup>13</sup>

### THE FIRST 100 DAYS OF PRESIDENTIAL OFFICE

One hundred days have passed since Susilo Bambang Yudhoyono was sworn in for presidential office. Despite the call for rationality in treating the 100 Days Myth as the parameter to assess the competence of government performance, many has regarded that President Yudhoyono has failed to deliver his promises, particularly the promises he made for the first 100 days of his presidential term of office.<sup>14</sup>

Yudhoyono proposed three main levels of concentration: (1) Security level, which includes conflict resolution and anti terrorism campaign; (2) Legal-institutional level, which comprises rule of law, fight against corruption, and bureaucratic reform; and (3) Economic level, which covers investment, macro-stability, people's welfare and poverty

<sup>13</sup>*Kompas*, 25 February 2005.

<sup>14</sup>Soegeng Surjadi Syndicate gave 6 out of 10 as the overall score. *Pikiran Rakyat*, 31 January 2005.

<sup>12</sup>*Suara Pembaruan Daily*, 22 January 2005.



alleviation. Of the 63 relevant agendas, only 20% was met.<sup>15</sup> Others blamed the "twin-solar syndrome"—perceived leadership clashes between President Yudhoyono and Vice President Kalla—as the root problem.<sup>16</sup>

Students in large scales occupied streets in major cities in Indonesia to rally demonstrations criticizing SBY-Kalla's poor performance. President Yudhoyono set himself for un-popularity campaign and saw the first 100 days event as an evaluation rather than anything else. According to him, the first 100 days were not aimed to solve problems, but to merely identify problems. He remains confident that the government still has a chance to perform well within 5 years.

One of the most prominent campaigns launched was the anti-corruption campaign. With the presidential decree on anti-corruption action plan, President Yudhoyono produced Presidential Instruction No. 5/2004 and swiftly began the campaign with the assistance of Corruption Eradication Commission (KPK). The Fraud Squad Director, Brig. Gen. Indarto, reported that more than 115 legislative council members from 16 provinces were implicated in corruption cases.<sup>17</sup>

<sup>15</sup>*Tempo Interaktif*, 25 February 2005.

<sup>16</sup>Arbi Sanit, as quoted from *Tempo Interaktif*, 28 February 2005.

<sup>17</sup>The 16 provinces are North Sumatra, South Sumatra, West Sumatra, South Sula-

Abdullah Puteh, Governor of Aceh, who is allegedly responsible for State's loss of 4 billion Rupiah (US\$444,444), was put behind bars by 5 December 2004 and suspended from his official position. Numerous arrests of officials—from governors, regents, Parliamentarians, etc.—allegedly responsible for various graft cases in different areas began to flow.<sup>18</sup>

Indonesia's reputation amongst the most corrupt nations in the world remains intact. Further embarrassment came along with the Global Corruption Barometer survey conducted by Transparency International (TI) Indonesia early December 2004. The report maintains that the Parliament and political parties are the most corrupt institutions in Indonesia.<sup>19</sup> Another slap came from Indonesian Corruption Watch (ICW), which came up with the list of 38 Parliamentarians suspected to be involved in corruption case.<sup>20</sup>

The Attorney General, Abdul Rahman Saleh, has also been propelled to the spotlight by the high public demands for the judicial system to spearhead the anti-corruption movement.

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wesi, Bali, Aceh, South Kalimantan, Central Kalimantan, East Kalimantan, Papua, Central Java, East Nusa Tenggara, Jambi, Jakarta, Bengkulu and Riau. *The Jakarta Post*, 11 December 2004.

<sup>18</sup>*Kompas*, 10 December 2004.

<sup>19</sup>*Kompas*, 10 December 2004. For a copy of the index, visit [www.ti.or.id](http://www.ti.or.id).

<sup>20</sup>*Detikcom*, 25 February 2005.

Table 2

### MAJOR GOVERNMENT ACTIVITIES DURING 100 DAYS

#### 1. Aceh Post *Tsunami* Rehabilitation:

Stage I (15 February 2005): 14,000 semi-permanent house for IDP's

Stage II (15 March 2005): 25,000 unites supported by donors and aids

#### 2. Aceh Emergency Relieve Stage:

##### I. RESCUE (6-12 months)

\* Emergency relief

\* Burial

\* Public Kichen

\* Rescue Survivors

\* Basic Infrastructure

##### II. REHABILITATION (1.5-2 years)

\* Public Service

\* Mental Rehabilitation

\* Public Kichen

\* Rights to Land

\* Banking and Financial Institution

\* Law and Order

##### III. RECONSTRUCTION (5 years)

\* Economic System

\* Social & Culture System

\* Transport System

\* Institutional System

\* Telecommunication System

#### 3. Cabinet's 100 Days Program:

##### Ministry of Defence:

- Establish working groups from Ministry of Defense and TNI Headquarters to integrate TNI under the Ministry.
- Convert all business units, foundation, SME of each Force into State Enterprises to ensure accountability, transparency, and efficiency.

##### Ministry of Law and Human Rights:

- Prioritize the preparation of 6 Drafts, amongst others: From the Parliament Initiative = Bill of State Ministries, Bill for Presidential Advisors, Bill of Amendment of Law No 7/1989 regarding Religious Court; From the State Initiative = Bill of Immigration; From the Ministry = Bill of Penal Code Law, Bill of Civil Code.

##### Ministry of Finance:

- Merge Capital Market Monitoring Body (Bapepam) and Dir. Gen. of Financial Institution of the Ministry as the embryo for Financial Service Authority Body.
- Debt negotiation during CGI meeting
- Debt swap
- Eradication of commitment fee for each debt received
- Loosen the State Budget (APBN)

##### Ministry of Industry:

- Re-evaluate all laws and regulation that hamper industrial development.
- Strengthen ties with Ministry of Trade.
- Create stronger national industrial structure from uphill to downhill industry based on production with greater local content.
- Optimize manufacturing industry to absorb manpower.
- Invite financing source from foreign debt or capital market.

##### Ministry of Trade:

- Focus on economic growth through real sector that could absorb manpower. Growth could be attained through export increase.
- Re-evaluate Managed-Trade (*Tata Niaga*) policies for the last 4 years.



Ministry of Agriculture:

- Develop commodities outside rice.
- Improve the welfare of farmers, breeders, etc.
- Focus on agriculture development on human
- Develop agriculture resources
- Develop agriculture support facilities/aspects.

Ministry of Forestry:

- 5 years target: (1) Minimize illegal logging; (2) Rehabilitation of forests; (3) Revitalization forestry industry; (4) Economic empowerment of communities around forest areas.
- Technological modernization.
- Reducing bureaucracy.
- Incentives provision for investors.
- Transform forestry sector into financial resources of the government.

Ministry of Transportation:

- Create competitive atmosphere for transportation industry.
- Reduce government intervention.
- Ensure the provision of transportation's basic pillars.
- Provide funding for public services.

Ministry of Manpower and Transmigration:

- On-time provision of benefits, esp. During national holidays.
- Job fair to local areas to increase access to human resources and fix/reconsolidate working placement abroad.
- Improve regulations and ministerial decisions related to the creation of more flexible manpower market.
- Protect and return migrant workers from Malaysia.
- Monitor institutions that enforce mass discharges/dismissals.
- Establish National Certification Body for Independent Profession.

Ministry of Health:

- Free health service for poor people with III class package in all regional hospitals.

Ministry of National Education:

- Increase the 9 years compulsory education.
- Provide training to increase skills and quality entrepreneurship.
- Increase the professionalism of educators.
- Provide and fairly distribute education facilities and equipments.
- 5-year validity period for students' text books.
- Form an anti-corruption community through education.

Ministry of Social Affairs:

- Reduce the numbers of poor people that currently reaches 34.7 million by providing capital without collateral.
- Increase access and guarantee for the rights to land for the economically weak group.

Ministry of Religious Affairs:

- Increase services for pilgrimage by reconsidering pilgrimage tariff.
- Provide food for pilgrimage (during their 9 days stay in Mina, Saudi Arabia).

Ministry of Culture and Tourism:

- Restore sense of security and comfort for tourists to increase tourism level.

Ministry of Small and Medium Enterprises:

- Provide tax incentive for business sectors and trade facilities.
- Protect manufacturing industries and improve local industries.
- Settle debts from Farming Sector Credit or *Kredit Usaha Tani* (KUT).
- Improve banking access for SMEs.
- Establish people's market around Idul Fitri celebration.

Ministry of Environment:

- Solve major cases, e.g.: Buyat, Ladia Galaska, Pantura reclamation and illegal sand minning.

Ministry of Women's Empowerment:

- Socialize Law on Domestic Violence and improve access to economic empowerment for women.

Ministry of Administrative Reforms:

- Prepare for the inauguration of 204.584 civil service candidates (mostly in education, health and other strategic sectors).
- Apply working contract with sanction for civil servants.

Minister of National Development Planning (BAPPENAS):

- Give program direction to maintain macro stability, fiscal recovery and real sector movement.
- Apply procurement for goods and services provision within the government to ensure transparency.

Ministry for the Accelerated Development of Disadvantaged Regions:

- Provide Exchange program, between School Headmasters from Western part of Indonesia and those from Eastern part (6 months – 1 yr)

Ministry of State Enterprises:

- Internal consolidation
- Clean and Accountable Privatization

Ministry of Communication and Information:

- Re-open internet phone licensing for public need.
- Finish Bill on Cyber law.

Ministry of Youth Affairs and Sports:

- Draft Bill of Sports and internal consolidation.

Ministry of Public Housing:

- Develop housing with the following characteristics: Simple, healthy, appropriate and affordable.
- Prepare for Secondary Mortgage Facility (SMF) program.

Attorney General:

- Handle corruption cases and restrictions against bribery within the office.

4. Corruption Eradication Commission (KPK)

Forbid state authorities to accept gifts/parcels during national religious holidays

Source: Various sources: *Media Indonesia*, *BPS*, etc.



Limitations, however, abound and not only on the AG side, but also the Police side. Over the past three years, the Police only managed to finish 233 cases out of 662 cases and has recovered only 139.7 billion Rupiah (US\$15,2 million) out of 8 trillion Rupiah (US\$ 869,5 million) worth of money lost to graft — a mere 1.7%.<sup>21</sup>

### GOLKAR'S NEW LEADERSHIP

Being one of the dominant powers in the Parliament and having the most consolidated party structure all over the country have put Golkar on the limelight of political party constellation in Indonesia. No wonder that Golkar's National Congress (*Musyawarah Nasional* or *Munas*) in Bali, 15-20 December 2004 became the focus of public attention.

Candidates coming forward to challenge the incumbent Akbar Tanjung, one of Indonesia's most notorious politicians, ranged from the media mogul Surya Paloh, Marwah Daud as the only female candidate, former TNI Chief Wiranto, and surprisingly, incumbent Vice President Jusuf Kalla. Slamet Effendy Yusuf and Agung Laksono the Chairman of the Parliament also expressed their interests. At the end, only Akbar Tanjung who gained the support of Wiranto, Marwah Daud and Jusuf Kalla with the backing of

Paloh and Laksono competed for the hot seat.

Some of Golkar's Old Guards (e.g. former ministers — Cosmas Batubara, Harmoko, Moerdiono, former vice president Sudharmono, etc.) expressed their disappointment for Akbar's decision to support Megawati during the 2004 presidential elections, instead of fellow Golkar member, Jusuf Kalla who ran for vice presidential seat.<sup>22</sup> Some other major players also openly denounced Akbar and rallied the support of 81 regional members for Wiranto.<sup>23</sup>

Akbar may well hold the votes from the provincial level, but not from the district level. Despite his desperate move to out-manuever his opponents by toying with the voting structure, demands from regental branches to have a say in the National Congress have increased as reflected in almost every Regional Congress (*Musyawarah Daerah* or *Musda*) held in 32 provinces, a month prior to the National Congress. Fistfights even occurred in several areas, including in the Parliament Building.<sup>24</sup>

On 17 December 2004, to everybody's surprise, Golkar Congress agreed to let regental branches to vote and

<sup>22</sup>*Kompas*, *Koran Tempo*, *Media Indonesia*, 2 December 2004.

<sup>23</sup>*Koran Tempo*, 3 December 2004.

<sup>24</sup>*Kompas*, *Koran Tempo*, 7 and 8 December 2004.

<sup>21</sup>*The Jakarta Post*, 11 December 2004.

expanded the previously 36 electorates to 484. Akbar's deal with Wiranto for a position as the advisory board chairman was said to be the basis of such sudden changes. Wiranto was believed to have secured the regental votes with which he knocked off Akbar's chance for the 2004 presidential elections. Wiranto had promised that he would rally his supporters in favor of Akbar's bid for party chairmanship.<sup>25</sup>

Though many have thought that Akbar is "too too strong to unseat"<sup>26</sup>, at the end, Kalla reaped victory by huge margin. Though getting a standing ovation for his accountability report, Akbar was eventually pinned down. During the first round to determine finalists, Kalla collected 269 votes and Akbar 191. On the final round, Akbar only managed to garner 156 votes, while Kalla reaped 326 votes and won the chairmanship seat. His upper hand position more or less is determined by his vice presidential position and the "indirect blessing" from President Yudhoyono, who desperately needed extra support to face hostile coalition in Parliament.

It could have been said that there were lessons of democratic political parties in the exercise of Golkar's internal elections had it not been for the heavy allegations of money politics

behind Kalla's victory and the ethical questions of whether a state officials should run for party internal elections.<sup>27</sup> The dramatic results of the Golkar convention show the half-hearted internal reform processes and the extent to which external interests persists to maintain power by neutralizing the Executive and Legislative relations within the State structure.

With regard to current domestic political development, the expanded role of the district level party institution in casting their votes may strengthen chances for local democracy to flourish — provided that district party leaders, who supposedly have closer links to local constituents than national leaders<sup>28</sup>, would truly uphold the aspiration of local constituents. This may be difficult to maintain at this point, because most political party structures generate elite-based decision making rather than program-based decision making that actually reflects local public aspiration. Most of the district offices rarely function outside election periods. Vote buying amongst elites is practiced more than program building in securing their position within the party.

<sup>25</sup>*The Jakarta Post*, 17 December 2004.

<sup>26</sup>*The Jakarta Post*, 15 December 2004.

<sup>27</sup>*Kompas* and *The Jakarta Post*, 16 December 2004.

<sup>28</sup>J. Kristiadi, "Golkar National Convention: A Test for Internal Party Democratization" [*Munas Partai Golkar: Ujian Demokratisasi Internal Partai*], in *Kompas*, 15 December 2004.



As predicted by many, Kalla's victory led to the demise of the Nationhood Coalition within the Parliament that ended the much-feared opposition against the Executive. Cleaning up the party structure was also conducted in parallel, where Kalla dismantled most of Akbar's loyalists' position.

Kalla's victory may well bring short-term benefit for current Executive. There is, however, no guarantee that 2009 Election will not be the next target of Kalla's political ambition. Some believes that Kalla will turn his back from his President in order to grab the RI-1 seat for himself. After all, Kalla has it all — capital, political power, and party machinery. And sadly, the prospects of seeing Kalla actually reforming Golkar and setting up a good example of democratic political party for the sake of democratic consolidation are not exactly convincing.

## UN-DEMOCRATIC POLITICAL PARTIES: LEADERSHIP & REGENERATION

While Golkar has gotten their leader strategically, other political parties are struggling for leadership change. Internal strives to win leadership position are blatant in parties such as PDI-P and Democrat Party (PD). Regeneration problems to fill in the top position are obvious in PAN.

Some regard PDI-P as the last bastion for opposition role in the check-and-balance mechanisms, and leadership

is seen as one significant contributing factor for that. PDI-P Congress, scheduled for March 2005, will bring about challenges for Megawati. Demands for her to "resign" after her poor performance during 2004 Elections and to take the Honorary Board position have been broached persistently by several key party members. Prominent names of her oppositions include the vocal and previously ousted Sophan Sophaan, Arifin Panigorō, Laksamana Sukardi, and Mega's brother Guruh Soekarnopoetra.

PAN Congress was scheduled for 8-11 February 2005. However, due to the tragic event of the tsunami, the date was postponed to 8-10 April 2005. PAN suffers the question of leadership regeneration when Amien Rais, the central figure of PAN also Muhammadiyah, decided not to run for party leadership anymore. Potential candidates mentioned are amongst others Moeslim Abdurrahman, Din Syamsuddin, Didik Rachbini, Achmad Farhan Hamid, Afni Achmad. Debates over being secular or not has been dominant in determining the future of PAN. Calls from some Muhammadiyah elements, a dominant group in PAN to establish their own party are related to such debate. It has been said that the secular-plural basis of PAN reduced the support from Muhammadiyah communities.<sup>29</sup>

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<sup>29</sup>*Koran Tempo*, 13 January 2005.

PD scheduled its Congress for 25 January 2005 but also postponed it to early March 2005 due to the tsunami tragedy. Within the PD circle, protests arose from the plan to award Yudhoyono's former success team during presidential elections with leadership positions within the party, even though most of the success team has not been in the party membership long enough to earn such position.<sup>30</sup>

The importance of this leadership process is that the survival of most Indonesian political parties rest not necessarily on the leader's performance, but on the "image" or "perception" of the leader's performance and influence. That explains why most parties have clutched desperately on a "leading figure".

TI Indonesia's report on Global Corruption Barometer also mentioned political party as one of the most corrupt institution in Indonesia. Political party internal mechanisms, such as recruitment processes, internal as well as general election processes (in which, for example, the party members elect their leaders and the party members get their seat number for the general elections), are the typical corruption fields.

The "weakest link" in Indonesia's march towards democracy lies here. Many of the most essential political

reforms stemmed from civil society initiatives rather than political society.<sup>31</sup>

## CONSTITUTIONAL REFORM: SERIOUSLY INTENDED?

The path for democratization also relies heavily on the constitutional structure. Constitutional arrangements bring about direct crucial impact to the checks-and-balances mechanism between state institutions as well as the formation of territorial governments under the pretext of decentralization and principles of subsidiarity.

Previous amendments of the 1945 Constitution have led to the establishment of the new Regional Representative Council (DPD) and new electoral regime of direct elections. The amendments, however, did not leave the Constitution without loopholes that pose threats to democracy. The limited mandate of DPD and exclusion of regional elections from the general election regime are the two greatest challenges for a democratic constitutional reform. Matters related to regional elections will be discussed further in the following section.

DPD together with several NGO networks are pushing towards further amendments that will generate greater mandate for DPD to at least having the right to voice rejections in the legis-

<sup>30</sup>*Tempo Interaktif*, 17 January 2005 and *Koran Tempo*, 18 January 2005.

<sup>31</sup>Indra J. Piliang, 'Golkar in the Vortex of Transition' [*Golkar dalam Pusaran Transisi*], in *Kompas*, 14 December 2004.



lation process. Currently, under article 22D point (1) and (3) of the Constitution, DPD holds only the feeble consultative role. Already several tensions arose within the public policy making process, such as: formalizing the National Legislation Program (*Prolegnas*) for 2005-2009<sup>32</sup> by the Parliament; and the drafting of the government regulation for the implementation of regional elections by the Ministry of Home Affairs.

To have the support of the Parliament, DPD has to collect at least 223 members of the People's Consultative Assembly (MPR). Opponents of such amendments include Vice President Jusuf Kalla, who presides as the Chairman of Golkar.

## REGIONAL ELECTIONS

Starting from June 2005, Indonesia will embark on its first direct regional elections that involve the election of 225 regional authorities (more than half of regional authorities in Indonesia). Challenges are manifold and uneven in various areas. Tardiness of the bureaucracy has augmented the concerns of not being able to conduct the electoral process in time and with quality. Already it is difficult to conduct regional elections according to the initial schedule,

now that it has exceeded the timetable, it would be even tougher to ensure quality free and fair elections. Additionally, limited budget allocation threatens to exacerbate the processes.

The exclusion of regional elections from the general elections regime can be identified immediately when one look at how regulations on regional elections were put by the Ministry of Home Affairs under the legal structure of Law No. 32/2004 on regional authority. Based on this regime, Electoral Commission (KPU) will not administer the implementation of regional elections as it did with general elections.<sup>33</sup> The administrator's role was mandated to the Regional Electoral Commission (KPUD) instead; and KPUD is responsible to regional Parliament (DPRD)—a highly politicized body with great interest to maintain power, instead of the KPU—as an independent body.

One can smell political agendas all over those arguments. The excuse of the government is that based on the Constitution, general elections regime only includes direct elections of the members of DPR, DPRD (provincial and district level), and DPD, as well as the president and vice president. Regional authorities are not included.

The exclusion of KPU from the drafting process and the content of Law No.

<sup>32</sup>List is available in <http://www.parlemen.net/site/ldetails.php?guid=debea63c8e31eb876fdb727d6a772f8d&docid=paper>

<sup>33</sup>Source: Centre for Electoral Reform (CETRO), also available in [www.parlemen.net](http://www.parlemen.net).

32/2004, and the exclusive role of the Ministry of Home Affairs in drafting government regulation (PP) for the implementation of regional election the Law emit the strong stench of re-centralization. Apparently, central government is attempting to maintain their interest in the elections of regional authority. The exclusion of civil society elements in the drafting process only confirms this further.

Additionally, by being accountable to DPRD, KPUD's accountability report is prone to be rejected unless it serves the political interest of the DPRD members. DPRD also cannot be expected to conduct impartial supervision throughout the electoral process. This is supposedly something that KPU could and should do in a formal basis, not informal as proposed by several government authorities.

Many regards the dominant role of the Ministry of Home Affairs in drafting and implementing the regional elections as the return of New Order's centralistic approach. Government's rejection towards the call for revision of Law No. 32/2004 on regional authority with the excuse of fearing such action will tamper with the already tight schedule is peculiar. Suggestion for a partial revision so that the schedule will not be tampered was also neglected.<sup>34</sup> Several NGOs filed for

judicial review over Law No. 32/2004 in the hope to sustain democratization processes during regional elections. Up until now, after 3 court sessions, decision has not yet been made.

Another grave concern is the potential for conflicts. Government has identified at least 10 conflict-prone areas, such as: Aceh, Central Sulawesi, North Mollucas, Mollucas, South Sulawesi, Papua, West Irian Jaya, Riau, North Sumatra and Central Kalimantan.<sup>35</sup> General Da'i Bachtiar, Chief of Police, said that the budget required for regional elections security expenditures reaches 406 billion Rupiah (US\$ 44.13 million).<sup>36</sup> This amount is not part of the budget proposed by Ministry of Home Affairs that amounts to 1.3 trillion Rupiah (US\$ 141,3 million).<sup>37</sup> There is a chance that conflicts will explode unless free and fair elections can truly be implemented in the regions.

## NATIONAL LEGISLATION PROGRAM 2005-2009

Early December 2004, Legislation Body of the Parliament (Baleg DPR) and Ministry of Justice and Human Rights formed a joint working group to formulate the National Legislation Program 2005-2009. By 1 February 2005, a list of 284 Bills was approved by the

<sup>34</sup>*Kompas*, 7 December 2004.

<sup>35</sup>*Kompas*, 6 December 2004.

<sup>36</sup>*EraMuslim.Com*, 14 February 2005.

<sup>37</sup>*Sinar Harapan*, 22 February 2005.



Table 3

## LIST OF PRIORITIES 2005 - NATIONAL LEGISLATION PROGRAM

No.	Bill Name	Explanation
1.	Bill on the amendment of Law No. 17/2003 on Government Finances	
2.	Bill of Presidential Institution	
3.	Bill of Government Ministries	
4.	Bill of Supreme Audit Board	
5.	Bill of Presidential Advisory Council	
6.	Bill of Government Secrets	
7.	Bill of Freedom to access Public Information	
8.	Bill of Immigration	
9.	Bill on the amendment of Law No. 7/1992 on Banking	Substituting Law No. 9/1992
10.	Bill of Syariah Banking	
11.	Bill on the amendment of Law No. 2/1992 on Insurance Business	
12.	Bill of Capital Market	Substituting Law No. 8/1995
13.	Bill of Secondary Mortgage Facilities/SMF	
14.	Bill on the amendment of Law No. 1/1995 on Incorporation (Inc.)	
15.	Bill on the amendment of Law No. 31/1997 on Military Court	
16.	Bill of Public Health Care Security	
17.	Bill of Health	
18.	Bill on the amendment of Law No. 3/1992 on Labor Security	Substituting Law No. 23/1992
19.	Bill of Education Legal Body	
20.	Bill of Teacher	
21.	Bill of Pornography and Porn Action	Substance have been incorporated into Bill of Penal Code
22.	Bill of Criminal Act in Human Trafficking	
23.	Bill on the amendment of Law No. 17/1999 on Pilgrimage	
24.	Bill on the amendment of Law No. 7/1989 on Religious Court	
25.	Bill of Witness and Victim Protection	
26.	Bill of Penal Code	
27.	Bill of Drugs	
28.	Bill on amendment of Law No. 25/2003 on the amendment of Law No. 15/2002 on Money	Substituting Law No. 22/1997
29.	Bill of Authorization of International Convention for the Suppression of Terrorist Bombing	
30.	Bill of Authorization of International Convention for the Suppression of the Financing of Terrorism	
31.	Bill of Authorization of United Nations Convention Against Trans-national organized Crime	
32.	Bill of Authorization of Protocol to Prevent, Suppress, and Punish Human Trafficking, Especially Woman and Children, Supplement UN Convention against TOC	
33.	Bill of Authorization of United Nations Conventions Against Corruption, 2003	
34.	Bill of Mutual Legal Assistance in Criminal Matters	
35.	Bill of Mineral and Coal	Substituting Law No. 11/1967 about Public Mining
36.	Bill of Power	
37.	Bill on the amendment of Law No. 13/1992 on Railway Affairs	
38.	Bill on the amendment of Law No. 14/1992 on Traffic & Transportation	
39.	Bill on the amendment of Law No. 15/1992 on Air Flights	
40.	Bill on the amendment of Law No. 21/1992 on Sea Voyage	
41.	Bill on Electronic Information and Trade	
42.	Bill of National Long Term Development	
43.	Bill on the amendment of Law No. 14/2002 on Taxation Court	
44.	Bill on the amendment of Law No. 24/1992 on Spatial Planning	

45. Bill of Disaster Management
46. Bill of the Establishment of Province and Regency/City
47. Bill on the amendment of Law No. 5/1960 on Agrarian Law
48. Bill of Coastal Area Management
49. Bill on the amendment of Law No. 6/1983 on General Stipulation and Rule of Taxation
50. Bill on the amendment of Law No. 7/1983 on Income Tax
51. Bill on the amendment of Law No. 8/1983 on Additional Value of Goods and Services Tax and Luxurious Goods Sales Tax
52. Bill on the amendment of Law No. 41/1999 on Forestry
53. Bill on the amendment of Law No. 31/2004 on Fisheries
54. Bill of Establishment of Religious Hight Court Banten, Bangka Belitung, South Mollucas and Gorontalo
55. Bill on the amendment of Law No. 34/2000 on Local Tax and Levy

Title will be appropriated with the Bill that form province or regency/city

Source: Parlement Net.

Parliament and 55 of them will be the priority of 2005.

Priorities are given to: bills that was left out by the 1999-2004 Parliament, bills mandated by the Constitution, bills related to the implementation of existing laws, bills related to replacement of colonial laws, and bills related to regional formation.<sup>38</sup> All these bills are in accordance to the three main considerations: (1) Strengthening human rights provisions (including political, social and cultural rights); (2) Institutional consolidation; and (3) Empowering law enforcement.<sup>39</sup>

Some regard the list as being too hefty because based on past experiences; the Parliament could only manage as far as 172 Bills. Fear of undermining quality for the sake of quantity was expressed.<sup>40</sup>

<sup>38</sup>*Kompas*, 2 February 2005.

<sup>39</sup>Source: *Parlemen Net*.

<sup>40</sup>*Kompas*, 3 February 2005.

## PAPUA: THE LONG AWAITED PAPUAN PEOPLE'S ASSEMBLY (MRP)

December 2004 began with a bit of a tension for Papuans as some Papuan groups mark 1 December as their independence day. Conflict with security apparatus occurred in Jayapura and resulted in injuries of seven local people and four police officers.<sup>41</sup>

On 23 December 2005, President Yudhoyono announced the Government Regulation 54/2004 on establishment of the Papuan People's Assembly (*Majelis Rakyat Papua*/MRP). Under the regulation, regional authorities of Papua were given the instruction to the establishment process of MRP by electing 42 representatives, equally represented by indigenous, women and religious communities in Papua. On 26 December, President Yudhoyono celebrated Christmas in Jayapura.

<sup>41</sup>*Koran Tempo*, 2 December 2004.



President Yudhoyono re-stressed the imperativeness of implementing Special Autonomy (*Otonomi Khusus/Otsus*) in a "comprehensive, complete and dignified" manner. He also acknowledged the crucial role of the MRP for *Otsus* and that the implementation of regional elections in Papua must be conducted under the pretext of Law No. 21/2001 on Special Autonomy of Papua.

A glitch, however, occurred by the enactment of the Law No. 32/2004 regarding regional authority and the government regulations for regional elections that followed. Article 226 (1) regulates that the direct elections rules in Law No. 32/2004 are applicable to all areas, except for areas with special status, to which other relevant specific laws are applicable. This translates to Law No. 21/2001 in the case of Papua.

Regional elections in Papua must not include West Papua (considering its unclear status after the Constitutional Court's decision) and must be conducted after the MRP and the DPRP are established. Candidates of Governor should not directly elected by the people just yet, but elected by the regional Parliament (DPRP) after the consent of MRP as stipulated by Law No. 21/2001.<sup>42</sup> There are also concerns that regional elections on district level would be conducted under the regional elections regime (direct elections) un-

like the election of governor that will undergo MRP system.

However, at this point, Minister of Domestic Affairs, Mohamad Ma'ruf, has stressed that the MRP will be settled first before regional elections start in Papua. Government Regulation No. 6/2005 accommodates the concerns over regional elections Papua for now. So long as there is political will from the part of the government to commit itself to the spirit of Law on *Otsus*, conflicts in the West Papua area can be prevented.

### COMEDY-OF ERRORS: MUNIR AND MAKARIM

During this quarter, Indonesian human rights development encountered the biggest irony in history. At one side, the bleak picture of human rights struggles is manifested in the investigation of the death of a highly respected human rights defender, Munir that has gone nowhere not fast. Similar fate also happens to other past human rights violation, and impunity has almost become a popular practice. There are at least nine major human rights violations left unsettled, such as cases of: East Timor, Tanjung Priok (1984), Abepura (2001), Trisakti (1998), Semanggi I (1998), Semanggi II (1999), May Tragedy (1998), Wasior Papua (2001-2002), and Wamena Papua (2003).

After all, based on the presidential instruction, Fact Finding Team (TPF)

<sup>42</sup>*Koran Tempo*, 27 January 2005.

for Munir's case was established on 13 January 2005 to supplement the Police tardy investigation. By 14 January 2005, after interviewing more than 90 witnesses, the Police still have not been able to name any suspect. Early February, TPF requested the Police to conduct reconstruction of the case, but on the appointed date, 25 February 2005, Garuda for no clear reason postponed the process. Several human rights activists have long complained about the link between Garuda and Intelligence Body (BIN).

At the other hand, on 17 January 2005, Indonesia was anonymously elected as the Chair of the United Nations Commission for Human Rights by its 53 member states. Many praised the professional performance of the diplomat, Makarim Wibisono, throughout his career in the UN. The gravest concerns, however, lay on the government's commitment in upholding human rights. Diplomats could be up to fixing or improving Indonesia's image abroad, but often they are taken aback by the unpredictable and highly political situations back home.

President Yudhoyono, after a meeting with Makarim Wibisono as part as his national campaign for Indonesia's chairmanship, promised the ratification of two critical UN Conventions — the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR).

The two items are already included in the National Legislation Program 2005-2009.<sup>43</sup>

## SECURITY LEADERSHIPS

The National Intelligence Agency (BIN) has a new head, Syamsir Siregar who promised that he would lead the fight against terrorism and separatism.<sup>44</sup> At the same time the intelligence bill is currently being discussed at the State Secretariat. The bill was first drafted during the administration of former president Megawati Soekarnoputri. It equips BIN with extensive powers including power to arrest and detain terrorist suspects. Human rights activists have condemned the bill as a real threat against democracy.

Yet, so far there has been no clarification on the position of the Commander of the Indonesian Military (TNI). General Endriartono has submitted his letter of resignation twice — during Megawati's tenure (October 2004) and President Yudhoyono's (February 2005). Megawati complied with the proposal, planned to appoint Ryamizard Ryacudu, and sent a letter to be processed in the Parliament. Before it was done, her tenure ended and Yudhoyono annulled the letter when he took office. The annul-

<sup>43</sup>*Kompas Cyber Media*, 9 February 2005.

<sup>44</sup>*The Jakarta Post*, 9 December 2004.



ment has incited the Nationhood Coalition—the biggest coalition in the legislative—to assert interpellation right to question Yudhoyono's move. However, when the Nationhood Coalition broke down with the election of Jusuf Kalla chairman of Golkar, which was the dominant party in the Coalition, the controversy ended. No significant decision was made in terms of whether or not the Commander will be changed.

What occurred was that President Yudhoyono appointed three new military Chiefs of Staff, namely: Army Chief of Staff Lt. Gen. Djoko Santoso, Navy Chief of Staff Vice Adm. Slamet Soebijanto, Air Force Chief of Staff Vice Marshall Djoko Soeyanto. Technically, the President should appoint the Com-

mander in Chief first prior to Chief of Staff. There are speculations that President Yudhoyono was not comfortable with the fact that prior to the reshuffle of the military chiefs of staff, Gen. Ryamizard Ryacudu (Army chief of Staff, then) was the only qualified candidate. Eligibility for the Commander position, according to Law No. 34/2004 on the Military, is based on the rule that only active senior officers having held at least a post of chief of staff can be appointed. The most likely candidate, according to several sources, is Army Chief Djoko Santoso, who has served under (ret.) Gen. Sudi Silalahi, who is currently the Cabinet Secretary and Yudhoyono's confidante.<sup>45</sup>

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<sup>45</sup>*Jaknews.com*, 18 February 2005.

# REVIEW OF ECONOMIC DEVELOPMENT

## Indonesia's Economic Performance: Some Promising Signs

*Staff, Department of Economics, CSIS*

### INTRODUCTION

**T**HE macroeconomic stability pays off as suggested by various indicators of the past year economic performance, which provides good reasons to be hopeful. Economic growth continued to pick up pace, from 4.4% in the first quarter (Q1) 2004 to 6.7% in the fourth quarter (Q4). Consequently, for the whole year GDP grew by 5.1%, slightly higher than government's growth target of 4.8% for 2004. Favorable macroeconomic condition, buoyant expectations, resumption of investment, and strong export growth were behind the relatively strong economic growth in 2004.

The monetary authority kept a steady hand over macroeconomic de-

velopment in 2004. Slightly above our projection in the previous report, but still below the government's original target, inflation in 2004 reached 6.4%. Real interest rates have also declined throughout the year. On the other hand, the currency weakened by more than 10% against the US dollar, despite the trend of the weakening of the dollar against most other currencies. In the coming months, fuel price hikes will create further inflationary pressure which will force the government to maintain its tight bias on the monetary policy.

On the external trade, Indonesia experienced a relatively good performance in 2004. The country's exports rose by 11.5% relative to that in the previous year. The strong export performance was driven mainly by in-



creased in export non-traditional export commodities, such as machinery and electrical equipment. During the same period the country's imports—which were driven by, among other things, a sharp increase capital good imports as well as imports of raw materials and intermediate inputs—surged by 40%, indicating a reawakening of Indonesia's corporate sector.

Another development is the Infrastructure Summit held in Jakarta on 17 and 18 January 2005. At the Summit which was organized by KADIN and hosted by the Coordinating Minister for the Economy and the State Minister for National Planning, the government offered 91 infrastructure projects for participation by the private sector. Such development was then followed by another issue in which on 28 February the Government had announced the increase of fuel prices by an average of 29%. However, the hike seems unlikely to have significant effect on inflation. The price level will increase by no more than 2 percentage points, since even in a fuel-intensive industry, fuel cost constitutes no more than 20% of the total cost.

## ECONOMIC GROWTH

### Expenditure Side: More Balanced Source of Growth

The source of economic growth was more balance in the 2004 compare to the previous year. Household consump-

tion remained strong in 2004, contributing to 58% of GDP growth. However, we saw a decelerating trend in consumption growth from 5.7% in Q1 to 3.8% in Q4. Household consumptions contributed to the overall economic growth decline from 79% in Q1 to only 35% in Q4.

Exports and investment, which were weak in 2003, accelerated in 2004. Exports growth accelerated from only 1.2% in Q1-2004 to 17.1% in Q3-2004 but subsequently declined slightly in the following quarter to 14%. Overall exports growth in 2004 was 8.5% (more than double that in 2003) contributing to 64% of economic growth. However, import has grown strongly also in 2004. As a result, net exports growth was negative in 2004. It should be noted that a strong import growth should not be seen negatively, since it signaled investment recovery. The economic recoveries in neighboring countries were also preceded by the recovery in imports growth.

Compared to the very weak investment growth in 2003 (1.4%), investment growth in 2004 was also accelerating and strong. Investment growth picked up from 12% in Q1-2004 to 20% in Q3-2004 before declining slightly to 18% in Q4-2004. Overall, investment growth contributed to 60% of economic growth. The strong investment growth was consistent with several financial and real sector indicators. Consumer and business con-

Table 1

**COMPONENT OF GDP GROWTH: EXPENDITURE SIDE**  
(2000 Prices; % p.a. y-o-y)

	Year-on-year-growth				
	Q1	Q2	Q3	Q4	2004
<b>GDP Growth</b>					
Household Consumption	5.7	5.3	5.0	3.8	4.9
Government Consumption	10.1	4.7	(3.8)	(1.3)	1.9
Gross Fixed Capital Formation	11.5	13.1	19.7	18.3	15.7
Construction	8.4	7.8	8.2	8.3	8.2
Machinery	22.9	33.1	71.1	55.1	44.8
Change in Stock & Discrepancies	73.5	(799.8)	24.1	(141.6)	323.6
Exports of Goods & Services	1.2	2.0	17.1	13.7	8.5
Less Import of Goods & Services	15.3	25.2	32.0	27.1	24.9
GDP	4.4	4.4	5.1	6.7	5.1
<b>% Contribution to Growth</b>					
Household Consumption	78.6	72.5	58.6	35.3	58.3
Government Consumption	15.6	7.8	(5.7)	(1.8)	2.9
Gross Fixed Capital Formation	51.1	58.1	73.5	57.2	60.3
Construction	29.1	27.2	25.2	20.4	24.9
Machinery	22.0	30.9	48.4	36.7	35.4
Change in Stock & Discrepancies	41.6	94.4	15.4	47.4	48.1
Exports of Goods & Services	10.6	18.5	126.2	79.8	64.1
Less Import of Goods & Services	(97.7)	(151.3)	(168.1)	(117.9)	(133.6)
GDP	100.0	100.0	100.0	100.0	100.0

Source: CEIC Database

fidence was on the rise, the growth of bank lending for working capital and investment in 2004 have been increasing by almost 20%. However, Indonesia's foreign direct investment (FDI) and domestic investment approvals were still sluggish last year.

Another encouraging sign is that the composition of investment has shifted from construction to machinery. Construction growth remained stable, hovering at around 8.2%, while investment in machineries grew from 22% in Q1-2004 to 49% in Q3-2004 and

37% in Q4-2004. The contribution of investment in machineries to overall economic growth increased from 22% in Q1-2004 to 37% in Q3-2004.

**Production Side: Weak Primary Sector, Modest Manufacturing, Strong Services**

The growth for the primary sector, especially for mining, quarrying, oil and gas, continued to lag, and it became the only sector with negative growth rate (-4.6%). After several quarters of negative growth, growth of



Table 2

**COMPONENTS OF GDP GROWTH: PRODUCTION SIDE**  
(2000 PRICES, % P.A. Y-O-Y)

	Year-on-year growth				
	Q1	Q2	Q3	Q4	2004
<b>GDP growth</b>					
Agriculture	4.9	3.8	5.3	1.9	4.1
Mining and quarrying	(7.0)	(9.1)	(5.0)	3.3	(4.6)
Manufacturing, petroleum & gas	(2.7)	(5.0)	(6.0)	(4.6)	(4.6)
Manufacturing, excl. petroleum & gas	7.2	8.5	6.2	8.7	7.7
Electricity, gas, and water	6.1	6.8	3.1	7.9	5.9
Construction	8.4	7.8	8.2	8.3	8.2
Trade, hotel and restaurant	2.7	4.1	6.9	9.4	5.8
Transportation & Communication	12.6	13.3	13.5	11.5	12.7
Financial, property & business	7.5	6.7	8.3	8.4	7.7
Services	4.7	5.1	4.7	5.0	4.9
Gross Domestic Product	4.4	4.4	5.1	6.7	5.1
<b>% Contribution to growth</b>					
Agriculture	17.7	13.9	16.8	3.8	12.2
Mining and quarrying	(17.3)	(23.0)	(10.6)	5.0	(9.6)
Manufacturing, petroleum & gas	(2.1)	(3.8)	(3.9)	(2.3)	(3.0)
Manufacturing, excl. petroleum & gas	39.9	47.0	30.0	33.3	36.8
Electricity, gas, and water	0.9	1.0	0.4	0.8	0.8
Construction	10.6	9.9	9.2	7.5	9.1
Trade, hotel and restaurant	10.2	15.1	21.6	23.3	18.4
Transportation & Communication	14.9	15.9	14.1	10.0	13.3
Financial, property & business	15.2	13.4	14.0	11.7	13.4
Services	9.9	10.6	8.3	7.1	8.7
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0

Source: CEIC Database

mining and quarrying turned positive in Q3-2004 because the production of copper and gold in Papua returned to normal. Farm food crops growth was negative in Q4-2004 but the strong growth of the plantation and livestock sub-sectors prevented the agriculture sector from experiencing a negative growth.

In contrast, almost all service sectors registered higher than average

growth. The property boom led the 8.2% growth of construction. Similarly, deregulation and competition in transport and communication have stimulated the strong growth of the sector (12.7%).

Non-oil and gas manufacturing sector slowly picked up from 7.2% in Q1-2004 to 8.7% in Q4-2004 resulting in 7.7% growth for the whole year. Due to the severe competition from China,

and the structural weaknesses of the sector, traditional labor intensive manufacturing sectors such as textile and garment remained weak, while cement, transport equipment, paper and printing, and chemical/pharmaceuticals grew strongly.

### Growth Outlook

Even though the growth prospect for 2005 is not rosy, there are several encouraging signs. First, the capital investment board (BKPM) said it had approved 103 new foreign direct investment (FDI) projects valued at US\$ 872.1 million in January 2005, increased by 235% from that approved in the same month last year. It also approved 15 new domestic investment (PMDN) projects valued at Rp 1,887 billion in January or an increase of 66.7% from that approved in the same period last year.

Second, the government is considering replacing the rule requiring investors to secure investment licenses from BKPM, by having them simply register their investment after passing an environmental impact assessment. The government also plans to assign to the BKPM the new function of serving as an investment promotion agency, rather than a regulatory agency.

Third, the government is set to provide tax break facilities to the business community in its effort to improve the business climate and lure new in-

vestments, as well as to help support existing firms to expand their businesses. Finally, a drive for infrastructure development by the government would help support the increase in investment expenditure, but probably not until after the third quarter of this year. We expect that growth may gradually increase this year, and, thus, forecast up to 5.3-5.5% growth in 2005.

### MONETARY DEVELOPMENTS

#### Fuel, Gas Prices Hike Drove Inflation Upwards

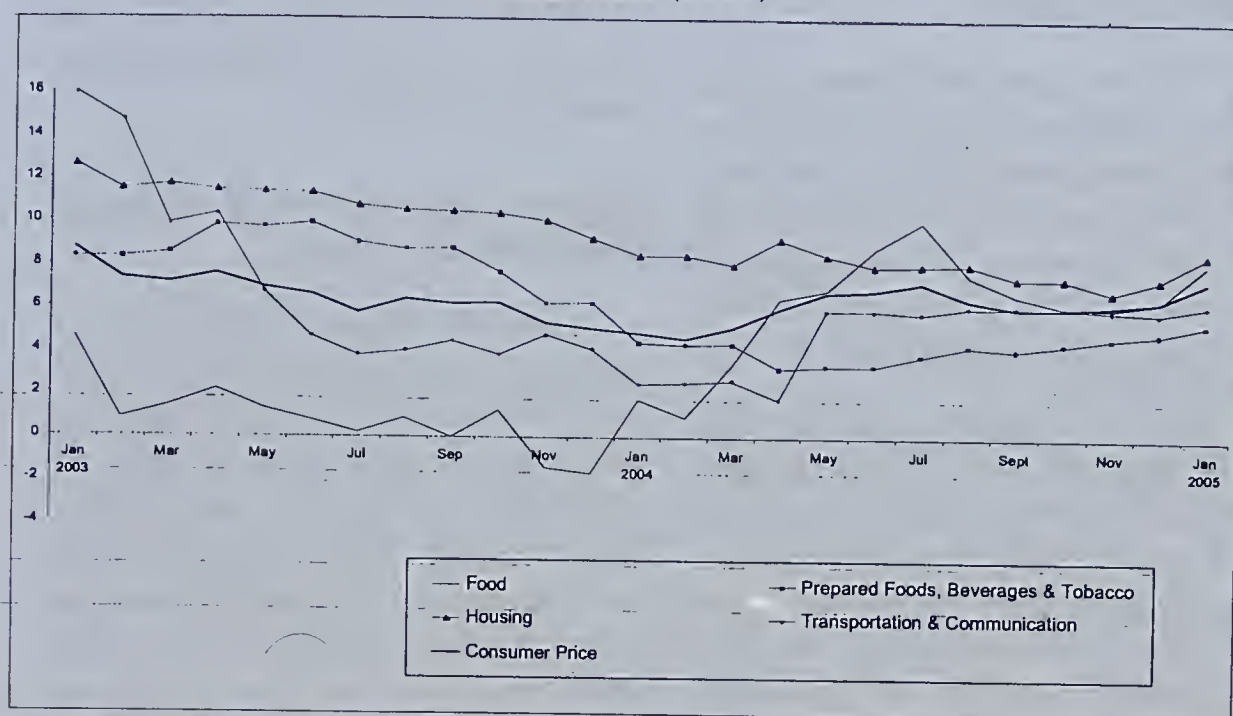
Inflation in 2004 reached 6.4%, slightly lower than the government's original target (6.5%). The average annual inflation of most of the services and goods sectors in 2004 was lower than in the previous year, except for the food sector—suggesting that, with a more flexible agricultural policy (particularly for rice and sugar), the government could actually have an even lower inflation. However, in the coming months, we shall expect increased pressure with the almost certain increase of the fuel prices in March.

Unlike in previous years, inflation shot up in the first month of 2005. The three main contributors of this increase were prices of food, house-and-utilities, and transport-and-communication. The increase in food prices was driven by the increase in the prices of rice that resulted from a combination of bad harvests in the rainy season of Decem-



Figure 1

## INFLATION (Y-O-Y)



Source: Central Board of Statistics

ber and the ban on rice imports. Meanwhile, the inflations on the other two sectors were mainly driven by policy: in the end of December, the state-owned oil-and-gas mining company, Pertamina, decided to increase the prices of household liquefied natural gas (LNG) and the high-end fuels—both of which were the largest contributors to price inflations in the utilities as well as transport sectors.

The planned fuel price increase in March is likely to spur additional inflation. In the short-run, it is likely that this inflation will overshoot as the combination of psychology, lack of information, as well as opportunism will induce producers to mark their prices

up above what is warranted by the fuel price hikes.

Table 3

## CONTRIBUTION OF EXPENDITURE GROUPS TO TOTAL INFLATION, DEC 2004 - JAN 2005

	Dec 04	Jan 05
Food	0.58	0.82
Processed food, beverages, cigarettes	0.16	0.14
Housing and utilities	0.23	0.40
Clothes	0.04	0.00
Health	0.02	0.01
Education, recreation and sports	0.00	0.00
Transport and Communication	0.01	0.06
TOTAL	1.04	1.43

Source: Central Board of Statistics

### Base Money To Become Less Relevant Monetary Indicator

As in the previous quarter, base money remained above its indicative target throughout Q4-2004. Base money grew from Rp 175.4 trillion at the end Q3-2004 to Rp 199.446 trillion at the end Q4-2004, a growth of 13.7%, much above BI's target growth of 1.7%.

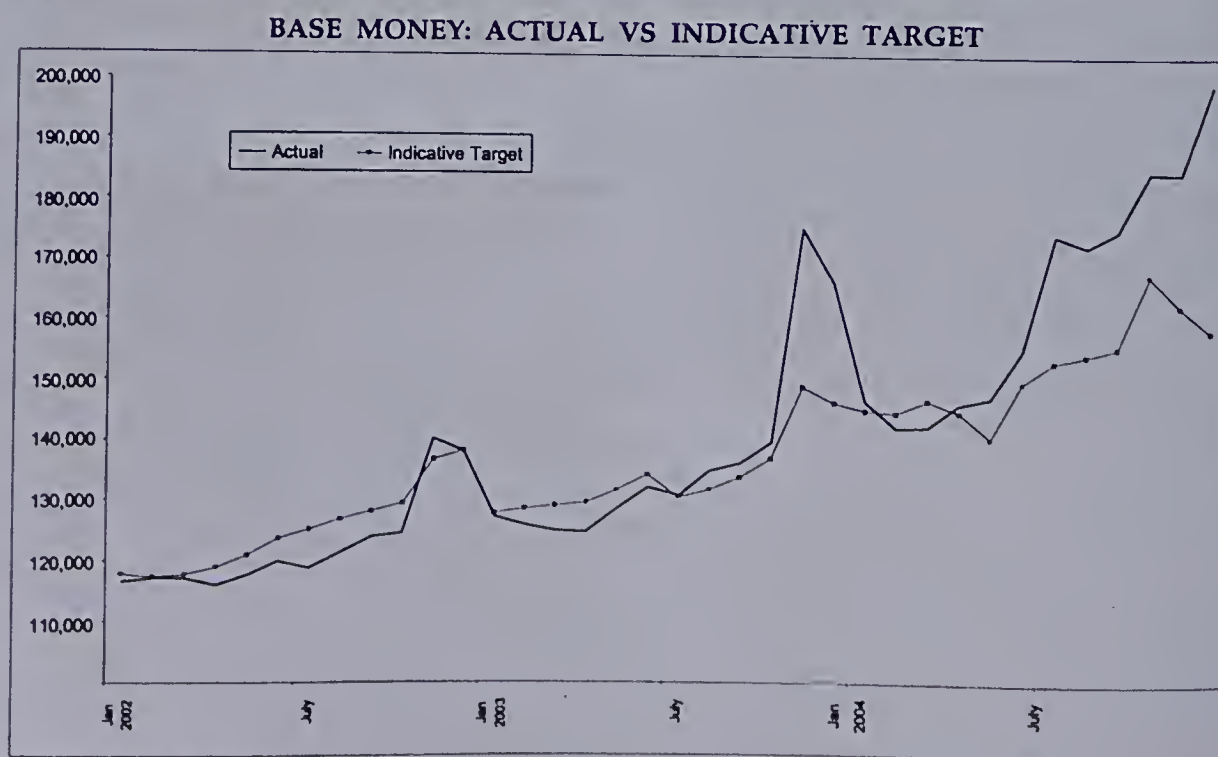
Despite this persistent overshooting of the base money ever since Q2-2004, inflation remained under control, suggesting a disconnection between the base money growth and inflation. The reason for this disconnection was BI's preference of using SBI, its benchmark interest rate, over base money as the

monetary instrument. Indeed, BI has stated that beginning mid-2005, it will focus on the 3-month SBI as its main monetary instrument.

### Interest Rates Stood Still As Inflationary Pressure Rose

Given the expected increase in inflationary pressure following the increase in gas prices and the likely increase in fuel prices in March 2005, BI maintained its tight bias with regards to the interest rates. SBI 1-month rate was practically at a standstill, moving within the band of 7.41 to 7.43 in Q4-2004. However, with the increase in price inflations in the last three months

Figure 2

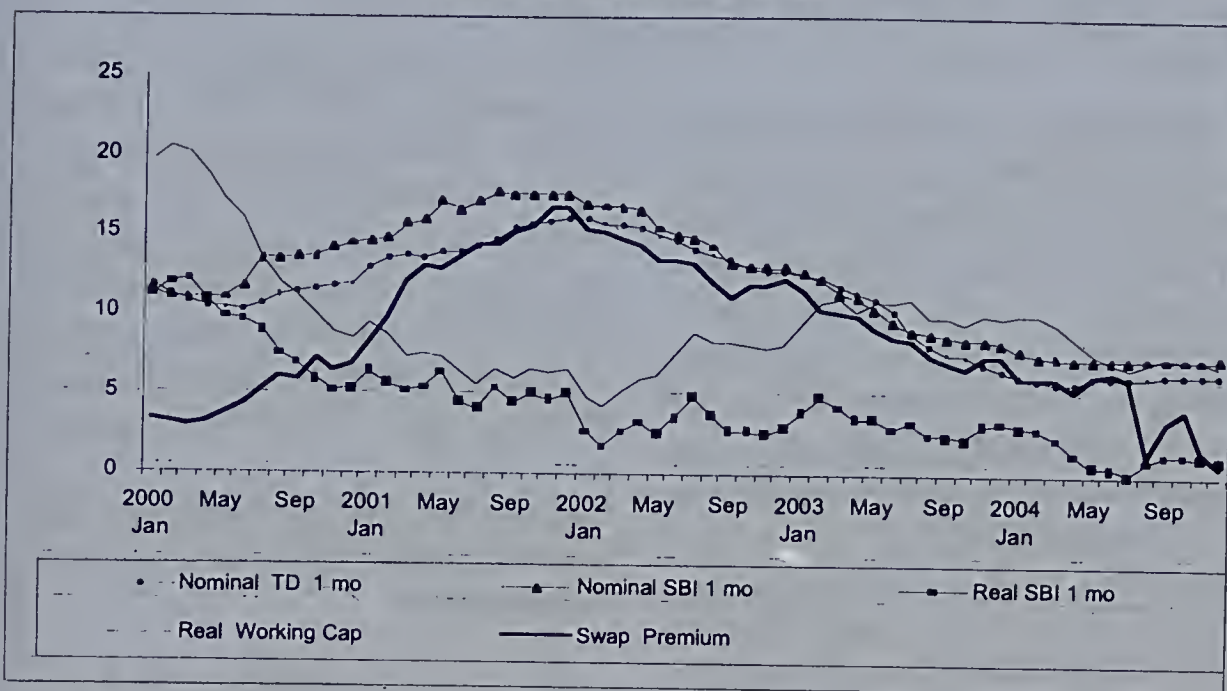


Source: Bank Indonesia



Figure 3

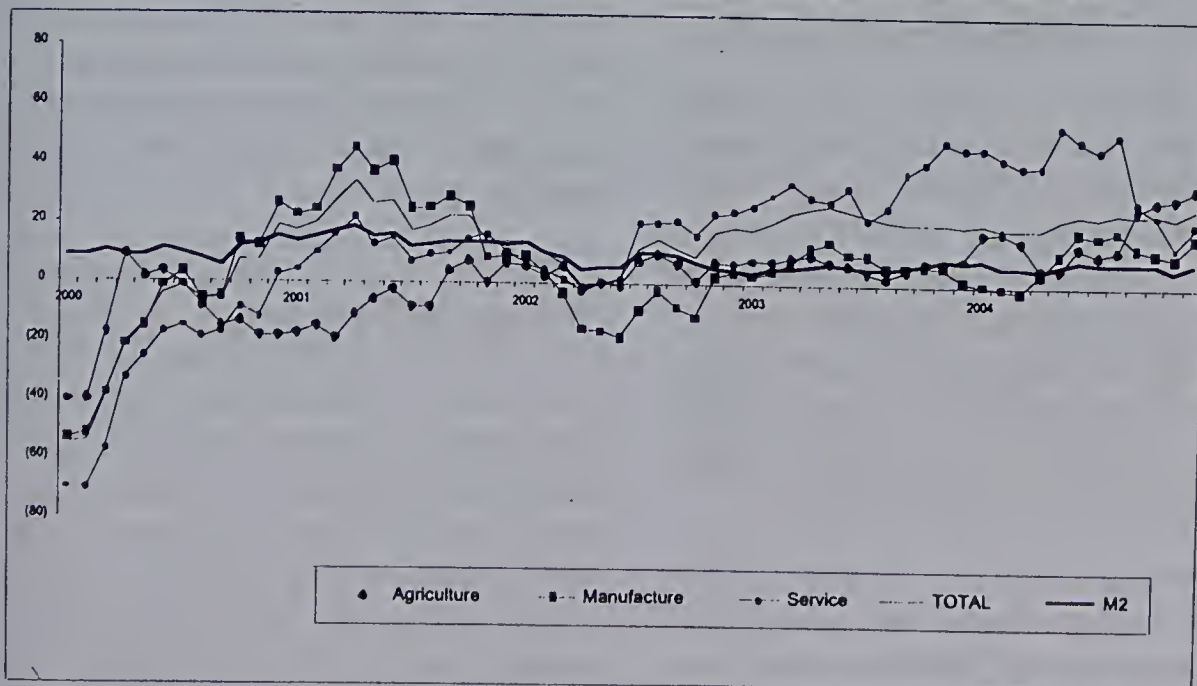
## VARIOUS INTEREST RATES



Source: Bank Indonesia

Figure 4

## COMMERCIAL BANKS' OUTSTANDING CREDITS AND M2 GROWTH



Source: Bank Indonesia

of 2004, real interest rates declined from 1.36 at the end of Q3-2004 to 1.03 at the end of Q4-2004.

Meanwhile, along with the improvement of perception regarding the domestic business environment, the gap between the lending and deposit rates continued to narrow. Nominal working capital lending rates fell from 13.80% to 13.41% between the end of Q3-2004 and the end of Q4-2004, while 1-month timed deposit increased from 6.31% to 6.43% between the two periods. This implies a narrowing gap of 51 basis points (bps) from 7.49% to 6.98%. Real lending rates also declined by 52% from 7.53% to 7.01% between end of September and end of December 2004.

### **Strong Credit Growths Continued**

Positive expectations with regards to the overall business environment continued to drive strong credit growth throughout Q4-2004. Outstanding commercial bank credits grew strongly throughout Q4-2004, with an average annual growth of 24.7% in Q4-2004. Outstanding commercial credits in December 2004 were 26.40% higher compared to the previous year.

Credit growths remained positive and strong across the board. The strongest credit growths can be seen in the unclassified (*Other*) sector, followed by agriculture, trade and

mining sectors. In agriculture, growth was unusually strong, with an average annual growth of 30.9% in Q4-2004, compared to 16.36% in the previous quarter. Meanwhile, although remaining in the double-digit, credit growth in the manufacturing sector in Q4-2004 was not as strong as in the previous quarter, with an average annual growth of 12.8% throughout Q4-2004 compared to 16.4% in the previous quarter.

### **Rupiah/US\$ Slightly Weakened On Fed Rate Hike, Stock Market Continued Climb**

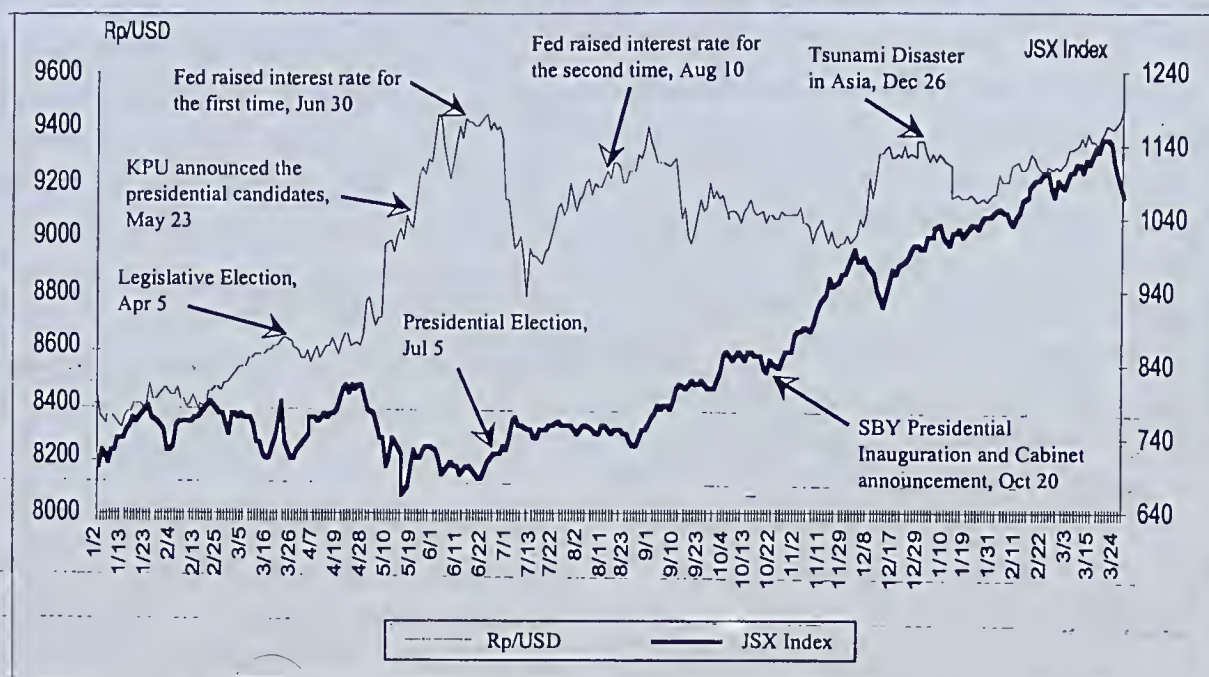
The Fed rate increase, as well as expectations of further rate increases, strengthened the US\$. The overall effect was the slight weakening of the Rupiah against the US dollar in the past three months. The average Rupiah/US\$ exchange rate increased from Rp 9,105 in the Sep-Nov 2004 period to Rp 9,223/US\$ in the Dec 2004 - Feb 2005 period.

At the same time, with positive expectations of the economic climate—particularly, with the success of the Infrastructure Summit—the Jakarta Stock Market continued to climb upwards, although not as strongly as in the period immediately after the presidential elections. Between the end of November 2004 and mid-February 2005, the Jakarta Stocks Exchange (JSX) index climbed upwards by 11.7%.



Figure 5

## THE EXCHANGE RATE AND THE STOCK PRICE



Source: CEIC Database

## Prospects

Looking ahead, the planned fuel price increase will have real impacts on inflation. In the short run, we expect higher inflations of between 7.3 - 7.9%, depending on the way the government and BI managed the likelihood of price overshooting. It is likely that will increase interest rates to manage this inflationary pressure.

Although it can be costly in the short-run, the fuel price increase policy will give the government a breathing space in terms of its fiscal management, and in the longer run, can help support a stronger rupiah. In the short-run, however, the Rupiah/US\$ is expected to weaken slightly, to fluctuate be-

tween Rp 9,200-Rp 9,400/US\$ in the following months.

## BALANCE OF PAYMENT

### Export

In 2004, exports reached US\$69.7 billion, exhibiting a 11.5% growth (y-o-y). Manufacturing exports, which constituted about 67% of the total exports, grew by 12% (y-o-y) and hence continued to be the prime mover of export growth. Oil and gas exports that accounted for about 22% of total exports rose by 14%. Meanwhile, mining which contributed about 8% of the total exports, increased by 9%. Non-processed agriculture exports declined by 6%.

Figure 6

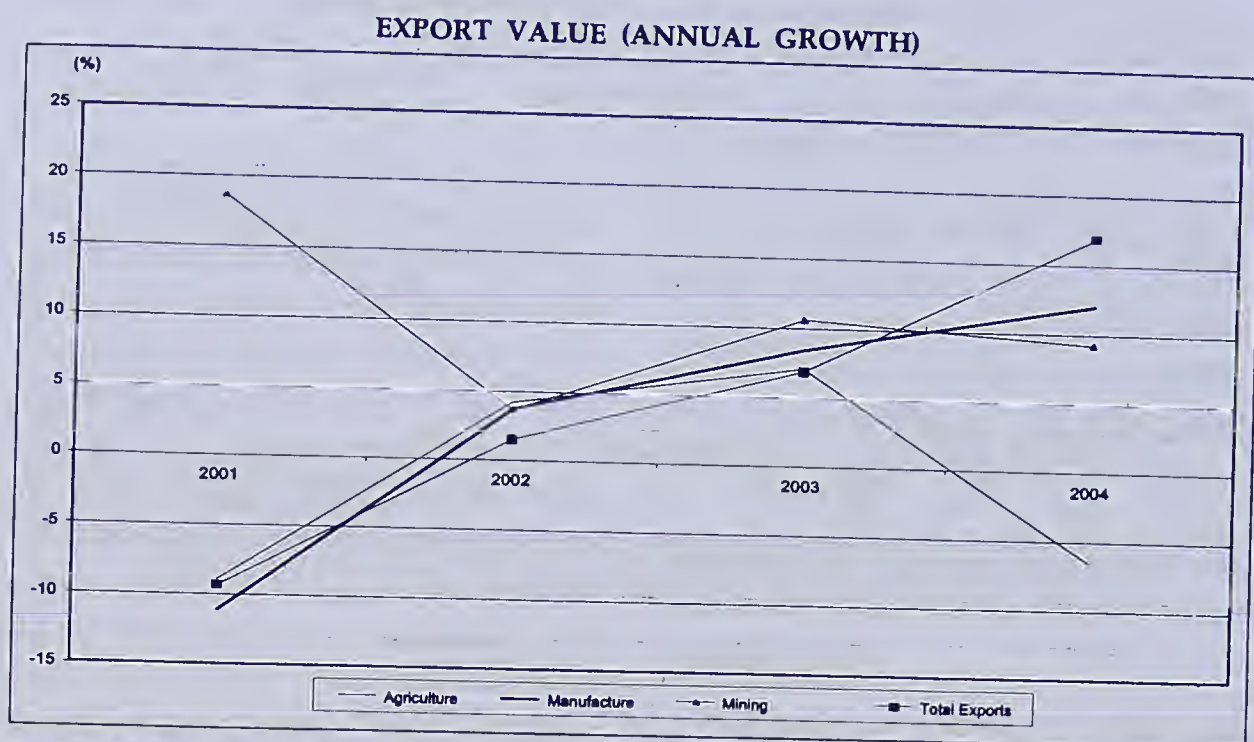
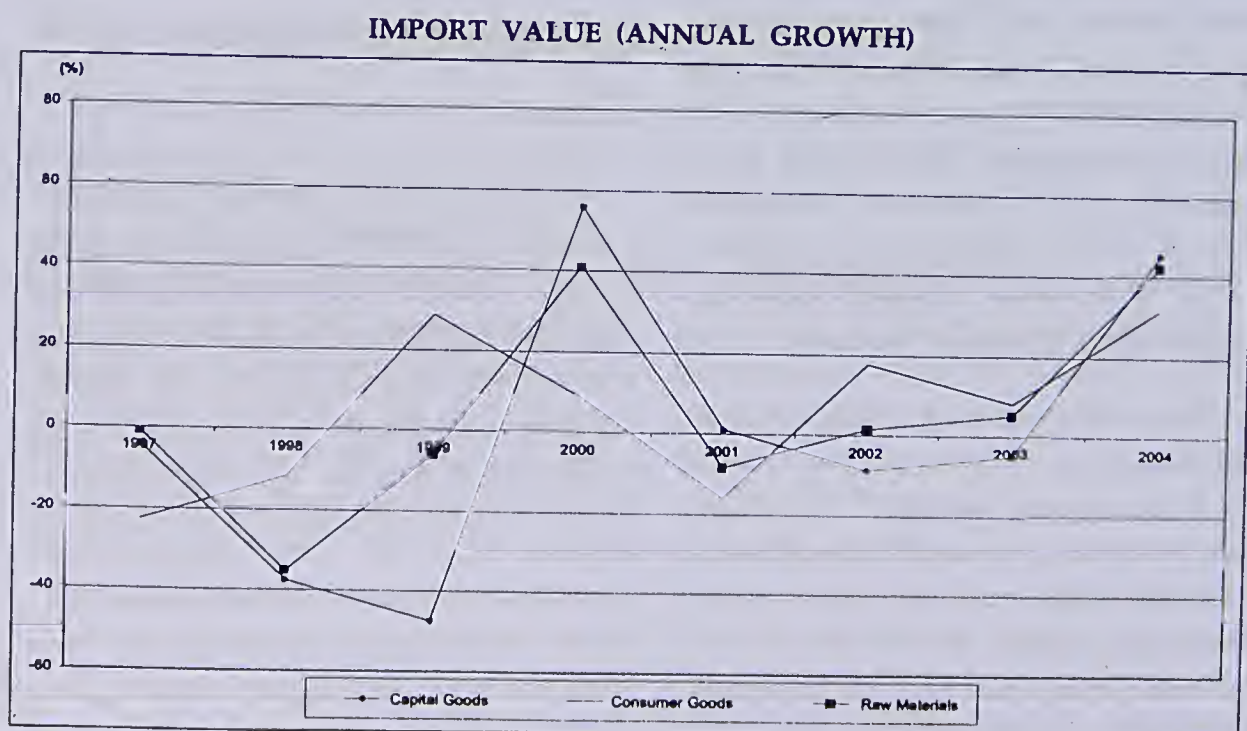


Figure 7





Machinery and electricity equipment remained to be the largest manufacturing export commodities, exhibiting a small increase of 3%. Animal and vegetable oil showed a very high growth of almost 50%. The other traditional exports were rather weak. For instance, garment, once the country's prime export, continued to decline. It is clear therefore that the strong export performance in 2004 has been driven primarily by non-traditional export commodities.

The US, Japan and Singapore continued to be the largest destinations for Indonesia's exports, accounted for about 39% of Indonesia's total non-oil exports. All markets, except South Korea, showed a high growth. Export growth is likely to increase this year. There are at least three reasons as to why this may be the case: the world demand for it is rising, domestic firms began to import capital goods—a clear sign of the reawakening of the country's corporate sector—and a stable Rupiah. On the other hand, one wants to be careful in making such a prediction. Domestic business climate shows no significant improvement. Meanwhile, the recent increase in fuel prices may lead to higher production/transportation costs. Similarly the increase in world demand may not be long lasting. In addition, newspapers reported the recent increase in terminal handling cost of 10-20% (*Kompas*, 9 March 2005) which might erode Indonesian export competitiveness.

## Imports

Imports surged to US\$46.2 billion in 2004, exhibiting a 40% increase. The increase was mainly due to the increase in imports of oil and gas as well as capital goods. Oil and gas imports, which constituted about 22% of Indonesia's total imports, rose by 53% during the year. Meanwhile, capital good imports which accounted for about 13% of the total import, increased by 41%. Finally, consumption goods which accounted for about 8% of the total import rose by 30%.

As noted, the huge increase in capital goods imports indicated the awakening of business sector. Similarly, the surge in imports of raw material and intermediate inputs also indicates the reawakening of the business sector. Note also that since some of Indonesia's export commodities have high import contents, the rapid increase in the imports of raw material and intermediate inputs may actually lead to high exports in the coming months.

## Current Account

The surge of imports resulted in a lower trade surplus in 2004 and is confirmed by BI preliminary figure of 2004 trade balance. During the period, trade balance was about US\$23.3 billion, about 2% lower than in the previous year. It is likely that the actual trade surplus is even lower. As noted, Indonesia's export commodities have relatively high import contents.

Also, as noted, there is a sign of the reawakening of Indonesia's corporate sector.

The BI preliminary figure also indicates that the current account surplus for 2004 is likely to be smaller than that in the previous year, not only because of a smaller trade surplus but also because there have been high imports of services as well as increases in interest payments and income transfer abroad.

### Capital Account and FDI

The BI preliminary figure on capital flow shows that capital continues to flow into the country. In 2004, capital account surplus reached US\$1.44 billion in contrast to a net outflow of US\$ 0.95 billion in 2003. The source of capital account surplus was the net inflow of foreign direct investment of US\$0.5 billion in contrast to a net outflow of US\$0.6 billion in 2003 and a sustained increase of portfolio investment. Loan disbursement was much higher, while debt repayment which was due in 2004 was lower. However, the total FDI approval in 2004 was lower than in the previous year. In 2004, approved FDI was about US\$ 10.28 billion or 24% lower than that in the previous year.

### OTHER ISSUES

#### Infrastructure Summit

To achieve a 6% growth, Indonesia must invest at least 5% of GDP in infra-

structure annually. In view of the current poor state of infrastructure, the financial requirements are huge to bring it to the level that is on par with Indonesia's neighboring countries. The Team on Financing Infrastructure Development estimated that the total financial needs for the period 2005-2009 would amount to Rp 1,303 trillion (about US\$140 billion, or US\$ 28 billion annually). Of that amount only about 25% could be financed domestically through the budget, the banking system, and local institutional investors (insurance, pension funds, and *Reksa Dana*). An additional 18% could be mobilized domestically. Of the remaining, about 7% could be expected to come from multilateral agencies and bilateral donors. This leaves a big gap of Rp 657 trillion, or about half of the total financial requirements. This could be met by foreign private investments and long-term syndicated loans as well as through further reforms domestically in such areas as pension funds and insurance.

The issue, however, is not only financing. Equally, if not more, important is the need for reform of Indonesia's infrastructure sector. There is a need for an overall strategy as well as clarity and certainty of the regulatory framework. The government has begun with these reforms with the adoption of a new telecommunications law in 1999, a new oil and gas law in 2001, and a electricity law in 2002. These new laws



are meant to introduce competition in the industries. There has been a setback in these reform efforts when in the mid-December 2004 the Constitutional Court annulled the Electricity Law No. 20/2002 on the basis that it is in violation of Article 33 of the Constitution.

As an attempt to attract private investors, an Infrastructure Summit was held in Jakarta on 17 and 18 January 2005. It was organized by KADIN and hosted by the Coordinating Minister for the Economy and the State Minister for National Planning. At the Summit, the government offered 91 infrastructure projects for participation by the private sector. The total investment for these projects was estimated to amount to US\$22.5 billion. The bidding for these projects will begin in the first week of March. Meanwhile, Indonesia has received commitments from the World Bank and the Asian Development Bank (ADB), amounting to between US\$3-4 billion.

### Fuel Price Hike

On 28 February 2005 the Government announced that fuel prices were increased by an average of 29%. The Indonesian government has subsidized fuel consumption for a very long

time. It is widely perceived that any increase in fuel prices would significantly affect prices of other goods. The policy has resulted in an unnecessary fiscal burden. As the world oil price keep climbing up since last year, the subsidy become extremely large. For the year 2004, fuel subsidy increased by more than 380% from the previously estimate of Rp 15 trillion to more than Rp 70 trillion. Since there is sign that world oil price will fall significantly in the near future, without fuel price increase, the subsidy is likely to be even higher in 2005 than in the previous year.

The government promised to spend the amount saved from a lower subsidy to provide assistance to the poor. Some of the money will be used to provide scholarships to millions of primary school students, while the rest will be used to improve the provision of basic health. Many, however, doubt that the money will actually reach the intended beneficiaries. Meanwhile, it is estimated that the price hike will not have a significant effect on inflation. The price level will increase by no more than 2 percentage point, since even in a fuel-intensive industry, fuel cost constitutes no more than 20% of the total cost.

# The New Security Environment in the Asia Pacific\*

Carolina G. Hernandez

## INTRODUCTION

THE last decade of the 20th century saw the end of the Cold War that altered in a very fundamental way the strategic environment in the Asia Pacific. The implosion of the Soviet Union left the United States (US) as the only complete power in the world able to play a military hegemonic role. Consequently, today no single power can rival the US hegemony in both economic and military terms.

While China is rising (if it has not yet fully risen) and is sought as a major economic partner by every economy that has something to benefit from a China connection, effectively managing the multi-faceted challenges that face

a polity and a society undergoing rapid economic change like China can be daunting and the outcome of which is by no means certain. While India is also growing rapidly, it similarly faces political and social problems at home and the unresolved Kashmir conflict with Pakistan abroad. More importantly, it is not clear if it wishes to challenge US hegemony in the near future. Thus, US preeminence is likely to remain in the foreseeable term. Only a combination of great and middle powers would be able to match US power and influence — a prospect that does not appear plausible in the coming years.

The US has played a pivotal role in Asia Pacific security since the end of World War II, particularly during the Cold War. Its network of bilateral security alliances with Australia, New Zealand, Japan, South Korea, the Philippines, and Thailand, as well as close and friendly relations with Indonesia, Malaysia, and Singapore since the late 1960s has served

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regional security well indeed. Although many of the region's states continue to rely on the US security umbrella as a hedge against the post-cold war uncertainties, there are also those that do not feel reassured by what they perceive as increasing US unilateralism, particularly since the 11 September 2001 (9/11) attacks against the US, its tendency to eschew international agreements, including on non-proliferation and anti-ballistic missiles, and the refusal to anchor its enforcement action against other states upon the rules of the United Nations (UN). This is shown in Bosnia, Kosovo, and Iraq.

The US has also run into problematic disagreements with key friends in the region, including some of its allies like South Korea on the issue of the draw down and relocation away from the DMZ of US forces in South Korea. Moreover, the expectations of the US from the members of the coalition against terrorism had posed domestic difficulties for its friends, including the Philippines and Indonesia in the recent past. Many have problems about the US policy in the Middle East and of the principle of preemption to prevent threats to its interests and those of its allies and friends.

China's rise as a gigantic economic player has led to the loss of competitiveness of ASEAN member states, as it also exerted some pressures for greater economic integration in South-

east Asia through the proposed ASEAN Economic Community. While its economic role benefited the region for the most part, China's increasing political and security role poses challenges to the states in the Asia Pacific region, including the US, Japan, South Korea, Russia, India, and the ASEAN countries. This is particularly because of the fact that China's foreign and security policy intentions remained under- or unstated. Cross strait relations have posed problems not only for the US with its Taiwan Relations Act, but also for ASEAN countries which in adhering to the "one China" policy have also had mutually beneficial economic and cultural relations with Taipei, a fact that Beijing has traditionally accepted and tolerated in the past as a fact of regional life. Increasing assertiveness towards eventual independence among the Taiwanese leaders and peoples has heightened tension across the strait with perceptible implications for the neighbors in Southeast Asia.

These issues will be presented in this paper that ends with a brief discussion on their implications for Southeast Asia.

## THE PRESENT STRATEGIC BALANCE IN THE ASIA PACIFIC

As already noted, the Asia Pacific strategic balance remains tilted in the US favor. In spite of a rising China, the increasing economic growth of



India and its desire to play a regional strategic role, serious problems in its alliance with South Korea, issues of nuclear weapons proliferation in North-east and South Asia, a more assertive Taiwan, and the terrorist threat faced by its friends in Southeast Asia, US hegemony in the Asia Pacific is a strategic fact difficult to deny. In the meantime, whatever present developments might contribute to an altered strategic balance in the region remains a scenario for the future. The modernization and structural upgrading of US forces that started during George W. Bush's first term of office is likely to continue in his second term of office. Of utmost concern among many is the firm belief on the part of President Bush and his closest allies from the Christian neo-conservative right that they are right in their view of the world, of the US interests and role in it, and how best to deal with those that threaten the US and its interests anywhere in the world.

The US-Japan security alliance continues to be regarded as the core of the region's stability, precisely due to the uncertainties posed by the loss of the cold war overlay when superpower competition came to an end, a China whose peaceful rise is everybody's wish, but one that remained doubtful given the domestic economic, social and political challenges faced by a rapidly changing society of more than 1.2 billion people, and the persistence of transnational security issues, in-

cluding international terrorism that cannot be solved by military means alone.

There are those who argue that the end of Pax Americana is at hand and that the main challenger to this strategic balance is seen as a risen China. That the global campaign against terrorism has led the US to pursue its strategic objectives outside and sometimes in defiance of UN norms has also frayed the alliance system that preserved world peace throughout the cold war. Particularly difficult are relations with its Atlantic partners, outside of London. More than anything else that Bush first administration might have done wrong, the fraying of the US alliance system is perhaps the worst foreign and security policy error it has committed. This could have serious implications for the stability of US preeminence in the Asia Pacific and in the world, at a time when China's attractiveness and diplomatic offensive in the region and elsewhere is at its best. In this light, the US role in Asia needs priority attention in the second Bush administration, an imperative that is not lost to a group of political, economic, and security analysts in Asia and in the US that cooperated with the support of the Asia Foundation to produce a report of what the US role in Asia should be when Bush enters into his second term.<sup>1</sup>

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<sup>1</sup>See Kim Kyong-won, Tommy Koh, and Farooq Sobhan, *America's Role in Asia: Asian Views* (San Francisco, CA: The Asia Foundation, 2004).



## THE UNITED STATES IN ASIA

In this regard, although the US remains the preeminent power in the world, including in the Asia Pacific, the global campaign against terrorism under its leadership and as a consequence of the attacks against the US homeland of 9/11, its New Security Strategy that justifies the right of preemption in order to prevent an imagined future attack against its interests and those of its friends and allies, its war against Iraq, and its tendency to act outside of the framework of multinational institutions, including international law, such as those embodied in the UN and its Charter have worked to undermine its security relations with its traditional allies. Its Middle East policy has caused continuing resentment in the Arab and Muslim world and must have provided a powerful force uniting a wide-ranging group of otherwise moderate forces throughout the world against US foreign and security policy, including on the campaign against terrorism and the war on Iraq.

While it has retained its preeminent military or hard power, its soft power has been gravely eroded since 9/11 almost on a worldwide basis. Hence, another priority task of the new Bush administration is to shore up its security relations with US allies throughout the world and to craft an Asia policy that takes into account the complex dynamics that make up the strategic

environment of the region. Critical to this equation is how to deal with Northeast Asian issues, particularly its relations with a risen China, cross strait relations, and the nuclear issue on the Korean Peninsula; with Southeast Asia that the US needs in the global campaign against terrorism, but many of whose countries do not put the same priority to this campaign as the US does and whose 10 ASEAN member states have such a diversity of foreign and security policies; and with South Asia whose strategic map is dominated by the Indo-Pakistan problem over Kashmir, whose antagonists have arrived as nuclear-weapons states, and whose strategic value to the US has risen due to international terrorism.

The group organized in cooperation with the Asia Foundation was divided into Northeast Asia, Southeast Asia, and South Asia with a coordinator for each sub-region. The participants were multinational, multidisciplinary, and multisectoral. The report of the group is summarized here to outline what the three groups think the US role in Asia should be.

### Northeast Asia

The highlights of Northeast Asian views about the US role in Asia are:

- (1) "America's positive relationship with all of the major powers in the region is historically unprecedented. Traditionally, the US

has followed a balance of power policy in Northeast Asia, which meant that the US had positive relations with some, but not with all of the major powers at the same time."

- (2) The reports's observation about the rise of anti-US sentiments in the region validates Rosenau's argument that the empowerment of the world's adult over the past fifty years enables them to be active participants in global affairs. The report says: "What makes the rise of anti-American sentiment particularly dangerous is that it is happening at a time when ordinary citizens, better educated and better informed than in the past, are becoming increasingly assertive and demanding. Foreign policy is no longer the exclusive province of elites. Especially in countries that have gone through democratic transition, the role of public opinion can no longer be ignored."
- (3) With regard to the rise of China, the report states: "The US must also define the nature of her relationship with China. Given China's growing political and economic significance, both in the region and globally, the US needs to have a long-term vision of what sort of relations she is going [to] have with China. The future direction of the US-China relationship will also affect how other North-east Asian nations perceive their own security."
- (4) Reminding the US of its responsibility as the author of the world economic order, it states: "The world economic order, created by the US is based on market economies, free trade and the free movement of capital. The US cannot take a position that contradicts one of the main pillars on which the world economy depends and, at the same time, try to act as the leader of the world economy."
- (5) On political and social issues, it puts a premium on economic exchange and integration as a generator of pressures for isolated societies to open up. "Asian societies are being compelled by American civilization to change and possibly transform their traditional structures ... tensions rise when heterogeneous values and beliefs [Asia's authority and hierarchy, as opposed to American equality and efficiency] collide ..." Fortunately, East Asians have a broad consensus on the notion of "modernity" viewed positively by its leaders. It also notes the uneven record of US efforts at democratization. "In pursuing democracy, the US must be sensitive to cultural differences and be prepared to accept a model of democracy different from the US ...



[who] should not turn away from her faith in the universality of human rights and democracy.”<sup>2</sup>

## Southeast Asia

For the Southeast Asian region, the main message to Washington on the US role in Asia includes the following points:

- (1) “Southeast Asians do not want the US to see the region purely through the lens of terrorism. Engagement between Southeast Asia and the US should be more comprehensive, covering the whole spectrum of social, economic, cultural, political and security issues.”
- (2) “While Southeast Asia is a sub-region of 10 states, and while the US deals with each state on a bilateral basis, there is a need for the US to devise a much more comprehensive approach toward Southeast Asia as a region and ASEAN as a regional institution.” Unlike China, Japan, South Korea, and India that have forged comprehensive economic agreements with ASEAN, acceded to the Treaty of Amity and Cooperation (TAC), and held summit meetings with ASEAN for example, the US appears to have no ASEAN strategy. A US ASEAN strategy could include the measures taken by these Asia Pacific powers, apart from supporting ASEAN and its related institutions like the ARF.
- (3) “The US and ASEAN should cooperate to raise standards of governance that foster transparency, accountability and efficiency”. Cooperation in infrastructure development in Southeast Asia including in IT, economic development assistance to ASEAN new member states, support for debt restructuring in Indonesia and the Philippines, and serious consideration of building on the US Enterprise for ASEAN Initiative while pursuing bilateral FTAs is necessary.
- (4) The US should engage the Muslims of Southeast Asia constructively. In this regard, Indonesia, the Philippines, and Southern Thailand are particularly important to avoid the radicalization of Islam in this region.
- (5) “The comprehensive engagement with the region should go beyond government-to-government cooperation. There should also be more interactions at other levels of society such as the legislature, business, media, civil society, trade unions, etc. To facilitate such interactions and encounters, the US should remove unnecessary visa requirements and other impediments that may make travel to the US difficult.”

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<sup>2</sup>Kim, Koh, and Sobhan, *America's Role in Asia*, 16-31.

- (6) Because political and social stability within each Southeast Asian country is the key to the security of the region, US support for economic growth and social stability in the region is critical. An integrated US policy toward Southeast Asia is needed that also includes cooperation in the amelioration of non-traditional security issues such as poverty, environmental decay, maritime piracy, illegal trafficking of drugs, weapons, and people, and the spread of pandemic diseases.<sup>3</sup>

## South Asia

The most important aspects of the US role in Asia raised in the report about South Asia include the following:

- (1) On the security front — A number of events have positive impacts on the US role in South Asia. With "... the September 11th attacks, the war on terrorism, and the greatly increased US involvement in the region, the US found itself in the extraordinary position where it can not only maintain good relations with both India and Pakistan, but is also able to exercise considerable leverage on both countries";
- (2) On the economic front — "The region's huge emerging market, strong institutional and legal framework, the abundance of

well-trained English speaking professionals with impressive scientific and technical skills, a growing entrepreneurial class, and an abundance of natural resources also provide excellent investment opportunities for US multinational companies."

- (3) On the political and diplomatic front — "The widening gap between the present conduct of US foreign policy and the lofty principles and values that American Democracy is known to be built upon such as pluralism, civil liberty, social justice, rule of law, and human rights is a matter of grave concern to the friends of America in the region."<sup>4</sup>

The Report makes a set of recommendations for each of the Asian regions to the Bush administration for its second term: six for Northeast Asia, eight for Southeast Asia, and nine for South Asia.<sup>5</sup>

## THE RISE OF CHINA

The rise of China and the possibility of its emergence as a complete global power in the next two decades are likely to undermine the hegemonic structure of global power that exists today. However, the acceptability of Chinese regional and global leadership,

<sup>3</sup>Ibid., 35-50.

<sup>4</sup>Ibid., 55-80.

<sup>5</sup>See *ibid.*, 32-33; 51-53; and 81-83.



particularly among its immediate neighbors in Northeast, Southeast, and South Asia remains in doubt, given regional historical animosities and the continuing lack of transparency in China's foreign and security policy intentions that continue to pose obstacles to support such a future leadership role among its neighbors.

China's recent behavior even in track-two circles does not encourage confidence among its neighbors, as it applies diplomatic and other forms of pressure to shape the structure and operations of track-two mechanisms that are designed as non-governmental bodies, including the Council for Security Cooperation in the Asia Pacific (CSCAP), the ASEAN Institutes of Strategic and International Studies' (ASEAN-ISIS) Asia Pacific Roundtable, and the newly-established Shangri-La Dialogue under the auspices of the International Institute for Strategic Studies (IISS London).

In all instances, its rationale for excluding or limiting the participation of Taiwanese scholars in these non-governmental bodies is to uphold the "one-China" principle. Cross strait relations are barred from the agenda of these track two discussions. Like the US, China will have to learn that hard power is not a sufficient, though a vitally necessary tool in playing a global leadership role. Soft power is also terribly important as it gives substance and genuine meaning to the uses to which hard power is put in the in-

ternational arena. Soft power also invites trust and confidence and earns support from other regional and global actors. This is a lesson that may not sit too well with a great power (1) that still seeks restorative justice from Western powers whom it sees as having humiliated it in the past, (2) one whose historical view of itself is the Middle Kingdom that had never conquered foreign lands, and (3) one that is at the pinnacle of successful economic transformation.

Its economic transformation within a totalitarian political context has obviously provided it with an added advantage in that due process and broader civil rights that often hinder rapid economic growth have no place in the rapidly growing China. And the profit motive has lured FDIs into China from every imaginable corner of the world, bypassing once highly competitive ASEAN economies.

Having said that, it must also be recognized that China has played an important role in the region's management of the financial crisis, particularly the non-devaluation of the Chinese currency to help fiscal stabilization in the affected economies in the region and its participation in the ASEAN+3 process for monetary and financial cooperation. Because of the high level of economic interdependence among the region's economies, China's economic growth has been recognized as being partly responsible for the good economic performance of East Asian economies in the years following the



financial crisis. Its inability to address sources of unsustainable growth would also have negative consequences for the region.

Competition with Japan for the support of ASEAN in regional leadership appears to underpin the 2001 ASEAN-China Comprehensive Economic Cooperation agreement, as well as various bilateral pacts with Malaysia, the Philippines, Singapore, and Thailand. Yet, Beijing also sent a very strong signal to ASEAN member states that it would brook no compromise on cross strait issues, particularly any sign of a breach in the "one China" principle, as seen in the most recent incident involving China and an ASEAN member country.

Before Singapore Prime Minister Lee Shien Loong assumed his present position, he visited Taipei in his private capacity. This was not the first time a Singaporean leader visited Taiwan in this capacity. But this time around, China issued a very strong protest and sent clear messages that were interpreted in Singaporean circles as "punishment" by Beijing for this misdemeanor of sorts. In the 1990s, various ASEAN member states also figured in similar incidents, but apart from a formal protest from Beijing they did not merit too much stress in bilateral relations. The then President Lee Teng-hui visited Indonesia and the Philippines to play golf with Presidents Soeharto and Ramos, respectively. China issued public protests, and even threa-

tened Indonesia of rupture of formal relations. Both Jakarta and Manila, however stood their ground. He was also granted an audience with His Royal Highness, King Bhumipol Adulyadej when he visited Thailand, and this was followed by a similar objection from Beijing. In none of these past instances did "punishment" of the sort sent to Singapore followed the formal protest from Beijing.

Although China has also moderated its behavior in the South China Sea disputes with a number of ASEAN states from "creeping occupation" and assertiveness during the 1980s and 1990s, it has only agreed to a Declaration on the Conduct of Parties in the South China Sea, instead of a more binding code of conduct as ASEAN had hoped. An important positive outcome of this declaration is the acceptance by China of the principle of no new occupation that should ease tension in the disputed areas. But it has refused to vacate its occupation of the Mischief Reef where it built in 1995 what it claimed were fishermen's shelters which it improved in 1998 and that now looks like a naval base.

China will also have to do more in the standoff on the Korean Peninsula to make itself credible to the outside world. It is the only one among the parties in the six-party talks with sufficient leverage over Pyongyang. Seoul's calculation that by normalizing its relations with Beijing (and withdrawing formal relations with Taipei), China



would exert some pressure on North Korea to be more forthcoming in its relations with Seoul has been proved wrong. From a strategic point of view, it would serve China's interest better to keep the standoff on the Korean Peninsula on until such time as a resolution of the problem would have positive gains for Beijing.

A less recalcitrant Pyongyang is good for the US, South Korea, and Japan, but not necessarily as good for Beijing in the balance of power game. Yet, its constructive role in the resolution of the Korean issue would help ameliorate whatever suspicions about its future intentions might be among its neighbors. In turn, it would help its bid for regional leadership in the future, in the same way that Japan's Southeast Asia policy has contributed immensely to reconciliation with its former enemies in that region and has made it easier for Japan to make its plans for a new security role more acceptable among its Southeast Asian friends.

Because the US remains the most powerful nation in the world, Washington is the only actor that can neutralize a "malign risen China". For this reason, good relations between Beijing and Washington could contribute immensely to create a more stable Asia Pacific region that would benefit all its inhabitants. Other states, like ASEAN member countries can play the role of interlocutors between them, including the other great powers in the region such as Japan, India, and even Russia. This

role appears to be unique to ASEAN because of its nature as a non-threatening regional player and its record of constructive engagement of "problem" states, including some of its own members and some of its dialogue partners, including China.

## IMPLICATIONS FOR SOUTH-EAST ASIA

Southeast Asia's location in the sea lines of communications (SLOCs) linking the Persian Gulf and the Indian Ocean, the Straits of Malacca, the South China Sea, the Taiwan Strait and on to the Sea of Japan and the Western Pacific Ocean gives it an important strategic value to all the great powers in the region. Through these SLOCs pass the region's valuable oil imports from the Middle East, their exports within the region and beyond, as well as their navies to patrol these oceans against traditional and non-traditional security threats, including the transport of materials for WMDs, illegal drugs, trafficked human beings, small arms and light weapons, as well as piracy and armed robbery at sea. Thus, the US, China, Japan, India, Russia, and others would have an interest in a stable Southeast Asia.

Some ASEAN member states also "hosts" Muslim separatist movements that at least in the case of the Philippines appear to have established links with two militant Islamic organizations that seek to set up an Islamic state. The



Indonesian-based Jemaah Islamiyah (JI) and the al-Qaeda were known to have availed of camps controlled by the Moro Islamic Liberation Front (MILF) in Southern Philippines to train former *mujahedins* in terrorist activities. Their members have been indicted for bombing incidents in the Philippines. Bombings in Bali, of the JW Marriott Hotel in Jakarta, and near the Australian Embassy in Jakarta were also attributed to JI members. Other damning intelligence information indicates that JI operated in other ASEAN countries, including Singapore and Malaysia. The arrest of Hambali in Thailand also suggests that there might be a Thai connection in this network of global terrorists.

In this case, they cannot escape from the need to address this issue in cooperation with others. In the case of the Philippines, an enhancement of its military capability to combat terrorism would require close collaboration with the US. Any overtures by China for closer defense cooperation such as those being proposed after the recent visit of President Arroyo to Beijing must be examined carefully because their long-term implications for Philippine and regional security could be great. The country's long-term interests lie with the "devil" it knows rather than with an "angel" of indeterminate and uncertain intentions.

There is also a need for ASEAN member states to consider more seriously their vision of an ASEAN Community with three components: an

ASEAN Economic Community (AEC), an ASEAN Security Community (ASC), and an ASEAN Socio-Cultural Community (ASCC). The AEC could help ASEAN recover some of its competitiveness that has gone to China because once it becomes an integrated market of about 500 million people, ASEAN can become more competitive compared with its current 10 separate smaller markets. The ASC could also help ASEAN become a stronger voice in the regional arena where its capacity to play a constructive security role, such as in peacekeeping and in combating non-traditional security problems in cooperation with other partners could be so much more enhanced. And the ASCC could also create a vibrant multicultural community made robust by the strength of its individual members' unique national attributes.

Unlike the great powers discussed above, ASEAN is unlikely to aspire to become a military actor — it simply goes against the ASEAN grain! Thus, its influence in the future as in the past lies in its ability to exercise soft power, to serve as interlocutor, an engager, an honest broker, even in great power rivalries, a role it was able to play due to its equidistant policy *vis-à-vis* the superpowers in the cold war, a role that has also served its members' interests well in the past. To successfully discharge this role, the building of the ASEAN Community envisaged in Bali Concord II is not an option, but a necessity.



# Regional Structures and Responses to Security Challenges in Southeast Asia\*

*Mely Caballero Anthony*

THE recurring questions that confront us today speak to two issues: (1) the adequacy of our regional responses to security challenges in the region; and (2) the urgency of re-thinking our existing security structures (and practices) in the light of new types of security threats.

Indeed, one only needs to have a quick scan at the headline news to recognize the wide-range of issues that dominate the security agenda of the East Asian region today. Over the past three years, the aftermath of the 11 September 200, terrorist attacks in the United States have had serious repercussions on the security of the region. The event has heightened the vulnerability of states to acts of terrorism as the extent and the nature of terrorist threats facing Southeast Asia have unfolded, starting with the discovery of local terrorist networks in

the region like Jemaah Islamiyah, to the increase in terrorist linked activities like the series of bombings in Indonesia. Added to these have been the sluggish growth and poor economic outlook in the region, exacerbated by the Iraqi war in March 2003 and the health crisis brought on by the infectious disease—Severe Acute Respiratory Syndrome (SARS)—and more recently, the emergence of the Bird Flu disease. In Northeast Asia, the North Korean nuclear weapons program has fuelled new tensions in the Korean Peninsula while the reverberations along the Taiwan Straits and the South China Sea continue. To be sure, Southeast Asia and the wider Asia have become a hotbed of crises — some are nascent while others are simmering. Unless these crises are resolved or managed carefully, the region could find itself engulfed in a maelstrom of security threats.

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\*Paper prepared for the Indodefence Forum, Jakarta, Indonesia, 25-26 November 2004.

How have our regional institutions, particularly the ASEAN and the ARF, coped with these challenges? At the

36th ASEAN Ministerial Meeting held on 16-19 June 2003 in Phnom Penh, which was followed by the 1st Meeting of the ARF, significant initiatives were proposed to enable ASEAN and (by extension) the ARF to respond more effectively to the new challenges facing the region. One of which was the Indonesian concept of an ASEAN Security Community (ASC). The concept of a security community "was meant to provide a sense of purpose, a practical goal, and a future condition that all [ASEAN] members should strive for."<sup>1</sup> To achieve this, Indonesia has proposed the establishment of several institutions to deal with security issues. Based on preliminary reports, the types of institutions proposed include: an ASEAN Centre for Combating Terrorism, ASEAN Peace Keeping Training Centre, and ASEAN Maritime Surveillance Centre.<sup>2</sup> (This will be dealt with in more detail in the latter section of this paper).

The initiatives that have emerged can be viewed as positive signs in efforts at enhancing the capabilities of regional institutions to cope with emerging issues that threaten the security and stability of the region. That these initiatives came from within

ASEAN reflect the growing sense within the organization of their limitations in responding effectively to new challenges. These initiatives can also be viewed as ASEAN's attempt to become more pro-active in a rapidly changing strategic environment. A number of questions arise from these developments, such as: How radical are the proposals on building new institutions in ASEAN? What are their implications on the prevailing modalities that characterize ASEAN's diplomacy? How viable are these new ideas given the varying disparities among ASEAN member states?

The above questions are certainly not exhaustive and may require comprehensive analyses, which are beyond the scope of a single paper. The objectives of this paper therefore are two-fold. First, it will provide a brief assessment of how regional institutions have managed regional crises in East Asia. Second, against the new security challenges in the region, the paper will examine the prospects of new mechanisms that have emerged or are being proposed to address security challenges in the region.

## ASSESSING REGIONAL STRUCTURES AND RESPONSES

Assessing regional capacities inevitably leads one to revisit our understanding of our two major institutions that deal with regional security

<sup>1</sup>"Indonesia Proposing ASEAN Security Community Concept", *The Jakarta Post*, 16 June 2003, accessed from <http://www.thejakartapost.com>.

<sup>2</sup>*Ibid.*



namely, ASEAN and the ARF. The point of the exercise is essentially to argue that it is only after we have evaluated what ASEAN and the ARF have and have not done in the crises type/ridden circumstances could we objectively make practical suggestions about the need for new tools to be considered or for certain security practices to be revamped. In this regard, there are some observations on the functions of ASEAN and the ARF:

1. It has been argued that ASEAN and by extension, the ARF, had been mostly an "enterprise" for regional reconciliation. As such, the institutional development of ASEAN has been parsimonious, and whatever institutions established were geared mainly for engendering an environment for trust and confidence building among members particularly during the formative years of ASEAN. Thus, over the past 4 decades, ASEAN had chosen to take a very conservative path to ensure a stable transition and to the extent possible — a smoother calibration of relationships among its members. The same holds true for the ARF which continues to place a lot of emphasis on developing a wide range of confidence building measures. As a consequence, when crisis occurred that needed specialized expertise to respond to cases of financial meltdowns, environmental disasters, peacekeeping operations,

and highly infectious epidemics, ASEAN and the ARF were, more often than not, unprepared. The kinds of crises and challenges that confront the region today require much more than what a loosely structured organization could provide;

2. Against the lack of institutional capacity and/or expertise, ASEAN's responses to crises have also been mostly ad hoc in fashion. These types of responses were most visible during the 1997-78 period when the region was beset by a series of crisis. To recapitulate, these ad hoc responses included establishing the ASEAN Troika to respond to crisis in Cambodia, instituting the Bilateral Swap Arrangement to help badly affected economies at the height of the Asian financial crisis, and the Regional Haze Action Plan to fight the haze problem caused by the forest fires in Jakarta, and the deepening of intelligence cooperation to combat transnational crime and terrorism, etc.;
3. Despite the fact that while many of the crisis responses may have been ad hoc, the region had seen some considerable action from ASEAN states. This was contrary to the impressions at that time, especially at the height of the Asian financial crisis, that regional countries would become more inward-looking and

this would consequently affect cooperation among members. To push this argument further, we examine ASEAN's collaborative efforts post the 97 crises and in the aftermath of the September 11 terrorist attacks. In the interest of time, the responses of ASEAN and the ARF to two major security challenges are highlighted/summarized below to support this argument. These are the 'war' against terrorism and the threat of infectious diseases:

### On The Fight against Terrorism

- With regard to the "war on terrorism", at the 7th ASEAN Summit in 2001, ASEAN members had issued an ASEAN Declaration on Joint Action to Counter Terrorism that outlined several measures to fight terrorism. These included: deepening cooperation among front-line law enforcement agencies in combating terrorism and sharing "best practices; enhancing information/intelligence exchange to facilitate the flow of information, in particular, on terrorists and terrorist organizations, their movement and funding, and any other information needed to protect lives, property, and the security of all modes of travel, and others."<sup>3</sup>
- Under the ASEAN framework, member states signed the Agreement on Information Exchange and Establishment of Communication Procedures on 7 May 2002 to promote cooperation in combating transnational crime, including terrorism.<sup>4</sup> Similarly, ASEAN and the United States issued a Joint Declaration for Cooperation to Combat International Terrorism on 1 August 2002, which committed the US and all ten ASEAN members to improve intelligence-gathering efforts, strengthen capacity-building measures and enhance mutual cooperation.<sup>5</sup>
- Given the close linkages between transnational crime and terrorism, provision of mutual legal assistance in criminal matters and extradition agreements have been discussed within the framework of the ASEAN Ministerial Meeting on Transnational Crime as tools to address this problems. This framework has been expanded to the ASEAN+3 level with the first ASEAN+3 Ministerial Meeting on Transnational Crime (AMMTC+3) held in Bangkok, Thailand in January 2004.

<sup>3</sup>See the 2001 ASEAN Declaration on Joint Action to Counter Terrorism, Bandar Seri Begawan, 5 November 2001.

<sup>4</sup>See Joint Communiqué of the Special ASEAN Ministerial Meeting on Terrorism, Kuala Lumpur, Malaysia, 20-21 May 2002.

<sup>5</sup>US State Department of State, 2002.



- As part of the continuing efforts to build capacity in fighting terrorism, the ASEAN region has seen the establishment of three complementary bodies: the South-east Asia Regional Center for Counter-Terrorism (SEARCCT) based in Kuala Lumpur, Malaysia, the Jakarta Centre for Law Enforcement Cooperation (JCLEC), and the international Law Enforcement Academy (ILEA) in Bangkok.<sup>6</sup>
- There have also been several activities undertaken under the auspices of the ARF. After the September 11 attacks, two workshops were held under the ARF Inter-Sessional Group (ISG) on Confidence Building Measures. The first was organized by Malaysia—the US Workshop on Financial Measures Against Terrorism held in Honolulu (24-25 March 2002) and the Thailand—Australia Workshop on Prevention of Terrorism held in Bangkok on 17-19 April 2002. The recommendations of both meetings were adopted in the Statement of the 9th ARF Meeting in July 2002. Highlights of this meeting include:
  - The establishment of the Inter-sessional Meeting on Counter Terrorism and Transnational Crime (ISM on CT-TC). To date this group has had two meetings, the latest one held in Manila on 30-31 March 2004 highlighted institutional and legal measures taken at the domestic level and recommendations to allow for domestic and international counter-terrorism measures to complement each other.
  - Among these measures include blocking terrorist financing and looking at possible coordination with International Financial Institutions (IFIs) and the Financial Action Task Force on Money Laundering (FATL).
  - Enhancing measures to ensure transport security and enhancing Maritime Anti-Piracy and counter-terrorism cooperation. A series of measures to tackle the piracy problem have been identified. These included better information sharing, cooperation and training in anti-piracy measures, and the provision of technical assistance and capacity building to states in need of equipment, training and legal expertise. There are also plans to create

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<sup>6</sup>See Co-Chairs' Statement on Bali Regional Ministerial Meeting on Counter-Terrorism, Bali, 5 February 2004, accessed from <http://www.aseansec.org/16001.htm>

a legal framework to combat piracy, calling for the adherence to the Rome Convention to prevent and suppress piracy incidents and a consideration of an IMB proposal to have prescribed traffic lanes for large super tankers on the high seas, wherever possible, with coast guard and naval escort.

### Infectious Diseases (SARS and Bird Flu)

- Two months after the outbreak, ASEAN convened an emergency meeting among its health ministers and its leaders. A special ASEAN+3 meeting was also held back to back with the ASEAN meetings.<sup>7</sup> These meetings had outlined several measures to address the SARS epidemic. These included steps such as:
  - Exchanging of information, best practices in containing infectious diseases, even legislation (e.g. quarantine laws);
  - Strengthening cooperation among front line enforcement agencies such as health, im-

migration, customs, transport and law enforcement; and

- Harmonizing travel procedures to ensure proper health screening at the points of origin and arrival.
- Other measures considered were enhancing cooperation between ASEAN and WHO; developing an ASEAN Centre for Disease Control; and developing a regional surveillance system to complement the WHO-inspired Global Outbreak Alert and Response Network.<sup>8</sup>
- With the outbreak of the 'bird flu' virus, ASEAN adopted in June 2003 the Framework ASEAN+3 Action Plan on Prevention and Control of SARS and Other Infectious Diseases. An ASEAN Experts Group on Communicable Diseases (AEGCD) has also been established to further develop the Framework ASEAN+3 Action Plan on Prevention and Control of SARS and Other Infectious Diseases into the ASEAN+3 Emerging Infectious Diseases (EID) Programme. The latter is an integrated action plan and implementation strategy to increase the effectiveness of regional surveillance, early warning and response to emerging

<sup>7</sup>Joint Statement of the Special ASEAN+3 Health Ministers Meeting on Severe Acute Respiratory Syndrome (SARS), Siem Reap, Cambodia, 10-11 June 2003, accessed from <http://www.aseansec.org/14824.htm>

<sup>8</sup>Ibid.



and resurging infections, thus helping to reduce the economic, social and disease burden from emerging and resurging infections that threaten the region.<sup>9</sup>

4. Under the given circumstances, one should not therefore dismiss the efforts taken by ASEAN members to cooperate in addressing certain problems that were within their capabilities to do. Nonetheless, there were clearly certain crises which were clearly beyond their limited capacities to respond, like the crisis in East Timor that required rapid deployment of peacekeeping forces to avert the humanitarian disaster that had unfolded;
5. There remains however the question of effectiveness of these ad hoc responses. In this regard, one would agree that without a strong Secretariat, and with limited resources both financial and human resources, among others, the effectiveness of the regional measures would be severely handicapped. The problem is even magnified with regard to the ARF which after 10 years since its inception has still no Secretariat of its own. The progress to date in this regard is the establishment of

an ARF Unit within the ASEAN Secretariat that was operational since 1 March 2004.

6. Given the above factors, the nature of regional capacities and responses indicates one crucial fact, that is; ASEAN as well as the ARF can only be as strong and as effective as how member states want it to be. And, whether or not member states agree to push the limits of their cooperation would also depend on their respective domestic capacities to cope with their own domestic challenges.

Against these observable trends, it is not surprising that one comes up with a mixed, perhaps ambivalent, assessment of regional institutions or regional security structures. The point being argued here is the need to have a more realistic picture of what these regional structures, like ASEAN, have been so far in order to adopt a more realistic yardstick to measure its capacities. In the case of ASEAN, one could argue that it was clearly created for a specific purpose during a particular milieu. Four decades later, the international and regional landscapes have changed dramatically. At the very least, ASEAN has attempted to adjust to changing circumstances by establishing regional mechanisms, as highlighted in the previous section of this paper. The bigger challenge however is in proving that these new mechanisms are adequate to respond to emerging and more complex challenges.

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<sup>9</sup>See the Declaration of the 7th ASEAN Health Ministers Meeting: "Health Without Frontiers", 22 April 2004, Penang, Malaysia, accessed from <http://www.aseansec.org/16089.htm>



## PROSPECTS FOR CHANGE?

In assessing regional responses and capacities, one must not also forget that regional structures like ASEAN have also changed drastically with the addition of new members into the grouping. Hence, on top of the new challenges that have been brought on by the changing strategic environment, one must not overlook the kinds of challenges that have emerged as a result of this expansion. Much has already been written about this issue but it bears reiterating here some of the "new" challenges that have emerged and which ASEAN as an organization has been grappling with.<sup>10</sup> These include: the diversity of political regimes of new members — Laos, Cambodia, Myanmar and even Vietnam; the stark differences in the level of economic development; the impact of these "diversities" on ASEAN modalities such as the process of consultation, dialogue, and consensus decision-making; and how all these differences pose a serious challenge to ASEAN's socialization and norm-building, its cohesion and institutionalization.

<sup>10</sup>See for example, Leszek Buszynski, "ASEAN's New Challenge", *Pacific Affairs* 70, no. 4 (Winter 1997-1998); Carolina Hernandez, "ASEAN 10: Meeting the Challenges" in Mely Anthony and Jawhar Hassan (eds), *Beyond the Crisis: Challenges and Opportunities* (Kuala Lumpur: Institute of Strategic and International Studies, 2000); and Simon Tay, "The Relevance of ASEAN: Crisis and Change", in *Reinventing ASEAN*, Simon Tay, Jesus Estanislao, Hadi Soesastro (Eds.), (Singapore: Institute of Southeast Asian Studies, 2003).

The scorecard is even more inconclusive with regard to the ARF. But so far, even its fiercest critics would agree that as a multilateral forum for discussion of security, the ARF has had moderate success in confidence building in the region. Member states have recognized the importance of the ARF as a vehicle for airing their own security perceptions. Some analysts in fact credit the socialization through the ARF of engendering a more positive attitude from states that were initially suspicious towards multilateralism.<sup>11</sup>

In addressing therefore issue of regional structures/institutions and enhancing regional capacities, a key question that this paper has examined was whether or not the international (or regional) community has been expecting too from more ASEAN — and for that matter the ARF. Clearly, some of the expectations that had been aired in commentaries and regional analyses did not match what these two organizations have been set up to do. The other point is to consider whether the nature of cooperation within ASEAN — be it in the political, economic and security-related areas has changed against the emerging new challenges and the prevalence of old problems.

<sup>11</sup>See for example, Tan See Seng, *et.al.*, *A New Agenda for the ASEAN Regional Forum*, IDSS Monograph No. 4 (Singapore: IDSS, 2002).



As mentioned previously, one could suggest that cooperation has in fact deepened in certain areas, contrary to expectations that regional and domestic crises would preoccupy most member states and consequently make them disinterested in regional initiatives. A solid case in this instance is the realization and the progress of AFTA. AFTA has been a showcase of how "bold" ASEAN has gone to change the modalities of ASEAN from one based on informal agreements to more rule-based arrangements.

Even more radical is the agreement to establish an ASEAN Economic Community (AEC) by 2020, which would involve a higher level of economic integration.<sup>12</sup> This idea has since been formalized in the 2003 ASEAN Bali Concord which lays the foundations for the creation of an ASEAN Community by 2020. The community will be set up on three pillars, namely ASEAN Economic Community (AEC) and ASEAN Security Community (ASC) and the ASEAN Socio-Cultural Community.<sup>13</sup> The AEC and the ASC have been most interesting, in so far as they provide some insights on the directions that

ASEAN is taking in moving towards a closer community and adopting modalities beyond the *ASEAN way*.<sup>14</sup>

Yet, given the altered international environment what indeed are the prospects for change? The answer to this question would depend on what and how *change* is defined. If change refers to reforming ASEAN's organizational structure and enhance its capabilities to deal with regional crisis, then the emergence of new mechanisms like the ones found in Bali Concord II indicate that ASEAN is indeed moving in that direction, albeit in a slow pace. Of the three pillars, the plans for silting up the twin pillars of an ASEAN Economic Community (AEC) and ASEAN Security Community (ASC) provide some insight into the direction that ASEAN is taking as it moves towards becoming a community with modalities that extend beyond those of the here to fore ASEAN Way.

### ASEAN Security Community (ASC)

It is propitious at this juncture to have a closer look at the ASC proposal. Indonesia, the most recent ASEAN Chair, proposed the establishment of a security community as a regional framework to handle security matters

<sup>12</sup>Chairman's Statement of the 8th ASEAN Summit, Phnom Penh, Cambodia, 4 November 2002.

<sup>13</sup>See Declaration of ASEAN Concord II (Bali Concord II), Bali, Indonesia, 7 October 2003 at <http://www.aseansec.org>. See also *Towards an ASEAN Community* (Jakarta: ASEAN Secretariat, 2003).

<sup>14</sup>For more on this issue, see Mely Caballero-Anthony, *Regional Security in Southeast Asia: Beyond the ASEAN Way* (Singapore: Institute of Southeast Asian Studies, 2004 forthcoming).

and disputes rather than the bilateral or international forums. A careful reading of Bali Concord II reveals four important elements that would allow a security community to be realized, namely, norms setting, conflict prevention, approaches to conflict resolution and post-conflict peace-building. Aside from norms-setting which is already an integral part of the ASEAN Way, the other three elements are novel initiatives that have found their way into official discourses and are now being taken up at discussions at the official level. Press reports and briefings given by Indonesian officials, as well as personal interviews have revealed something about the mechanisms being deliberated, and the ideas currently being floated, which include the following:

#### **Conflict prevention:**

- convening regular ASEAN Defense Ministers Meetings;
- conducting more military exchanges between defense officials, military academies in addition to enhanced bilateral military exchanges; and
- producing an ASEAN Annual Security Outlook.

To respond to rising concerns regarding maritime security, the establishment of an ASEAN Maritime Safety and Surveillance Unit has also been proposed with the aim of standardizing procedures and classification of criminal acts at sea, such as armed robbery at

sea, piracy, maritime terrorism and illegal, unregulated and unreported (IUU) fishing. More recently, this proposal had been "amended" to the establishment of a Maritime Security Forum.

#### **Conflict resolution:**

- Instituting an ASEAN Dispute Settlement Mechanism on political and security areas.<sup>15</sup> In this regard, there have been suggestions to make the High Council become more like a judicial body rather than a political entity.
- Establishing an Eminent Persons Group and an expert advisory committee to provide advice and extend assistance to conflict parties are only being discussed.
- Establishing an ASEAN Peace-keeping force.

#### **Post-conflict peace building:**

- Establishing a mechanism for delivery of humanitarian assistance, which may include providing safe havens in conflict areas, repatriation of refugees, etc.
- Establishing a mechanism to mobilize necessary resources to facilitate

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<sup>15</sup>In contrast to the AEC where officials are already working on the possibility of establishing a high-level judicial body that will be staffed by judges from every ASEAN member country to enforce the Protocol on DSM on economic matters, this has been a contentious issue which deals with political disputes.



post-conflict peace building (e.g. ASEAN Stability fund)

The other ideas being proposed by Indonesia under the ASC plan of action also include the possibility of an ASEAN-wide extradition treaty and a non-aggression treaty. There has also been the push to establish a Regional Human Rights Commission — a regional agenda that has been stalled for some time.

### IMPLICATIONS OF ASC ON REGIONAL SECURITY IN SOUTHEAST ASIA

The road map for the implementation of the ASC is currently being debated; and it would not be surprising if these proposals would be brought back to the drawing board many times over. Nevertheless, something important is indeed happening in the region and this development/or developments need to be captured as we address the question of regional responses to regional challenges.<sup>16</sup>

The thing that stands out in the foregoing discussion is the fact that the kinds of regional mechanisms that are being proposed have been significantly different from previous types of regional arrangements. These are significant in that they encourage a wider

and deeper type of regional cooperation that would be considered as being intrusive to the domestic affairs of states. The current arrangements to combat terrorism in the region, for example, are illustrative of how reservations and concerns about protecting one's sovereignty are being addressed in a cooperative manner rather than one that is confrontational in nature. It is remarkable for instance that ASEAN countries are now talking about the possibility of a transnational judicial system for cooperation in "collecting evidence, investigating suspects and witnesses ... and extraditing criminals".<sup>17</sup>

This optimism however has to be tempered with the kinds of domestic challenges faced by countries in the region. These would include among others, the lack of institutions and/or institutional capacity to carry out some of the regional initiatives agreed upon and the kind of political transitions that are taking place in the region that define the political and security environment of respective states. One only has to look at the current debates with regard to the Proliferation Security Initiative (PSI) and Regional Maritime Security Initiative (RMSI) proposals to get a glimpse of the kinds of political and security dynamics taking place in

<sup>16</sup>See Caballero-Anthony, *Regional Security in Southeast Asia: Beyond the ASEAN Way*, op.cit.

<sup>17</sup>Reports from the China-ASEAN Prosecutors-General Conference, Kungming, China, 8 July 2004 from *Xinhua News Agency*, accessed from <http://web.lexis-nexis.com>

the region that reflect the extent to which certain types of regional initiatives are regarded by states in South-east Asia.

Thus, in looking at the prospects of moving the ASC forward, it is useful to reiterate here some of the important considerations raised in *Report on the ASEAN Community Roundtable* organized by the Institute of Southeast Asia Studies (ISEAS), Singapore<sup>18</sup> to realistically assess the chances of these proposals being accepted. Three points from the Report that can be highlighted here include:

1. The need to tread carefully in pushing some of the elements of the ASC. The Report recommends that "there is a need to be realistic in taking account of the urgency and relevance of the many proposals. Not all ASEAN members are at the same comfort level *vis-a-vis* the specific proposals. Time and patience are essential in getting a broad base of acceptance."<sup>19</sup>
2. The need to examine what can be implemented in the short-medium-long term. The Report noted that "the more sensitive elements of the ASC (such as counter-terrorism, extradition, intrusive peacekeeping and peace building) should be

formulated in a more delicate manner or they will not find acceptance among some ASEAN members." For example, "proposal for an ASEAN peacekeeping force is one that requires careful study given its practical implications for joint training, inter-operability, organizational structure, command and control as well as funding. This is something that should be relegated to the long term ... [while] a peacekeeping training centre as opposed to a peacekeeping force is a short-term possibility in that it does not require a big leap in faith."<sup>20</sup>

3. The importance of building on bilateral cooperation as part of these regional mechanisms. The Report noted that "bilateral security cooperation will have to be taken into account [since] bilateral co-operation is a very important part of the security building process in ASEAN. Nor does the ASC diminish the significance of bilateral defense linkages between some ASEAN states and extra-regional powers such as the USA. These should be seen as complementary to the ASC."<sup>21</sup>

Against these considerations, one could nevertheless conclude that the project of an ASEAN Security Community comes at a time when the re-

<sup>18</sup>See *Towards Realising an ASEAN Community: A Brief Report on the ASEAN Community Roundtable* (Singapore: Institute of Southeast Asian Studies, 2004).

<sup>19</sup>*Ibid*, 9.

<sup>20</sup>*Ibid*, 10.

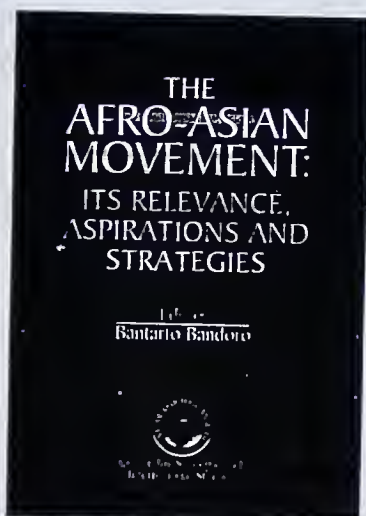
<sup>21</sup>*Ibid*, 11.



gion is at the throes of significant changes. That a security community has been declared as an end goal of ASEAN cooperation is laudable. It has been said that ASEAN cooperates best under pressure, hence the timing of the

ASC could not be better. The current security agenda of ASEAN is therefore well fitted to support current security strategies covering as it does a number of non-traditional threats facing the region.

## THE AFRO-ASIAN MOVEMENT: ITS RELEVANCE, ASPIRATIONS AND STRATEGIES



*Edited by:* Bantarto Bandoro

*Published by:* Centre for Strategic and International Studies (CSIS), Jakarta.

In line with the jubilee of the Asia-Africa Movement to be celebrated in Bandung 24 April 2005, this book presents papers discussing the Movement's relevance, aspiration, and strategies. With the rise of globalization, it is considered necessary for the member states of the Asia-Africa Movement to take greater participation in solving world problems and strengthening global peace. New and fresher strategies aimed at promoting peace, prosperity, and progress of the two continents are also required for the Movement to be relevant.

This compilation consists of 8 papers dealing with issues on among others: the relevance of the Asia-Africa Movement; the validity of the Bandung Spirit; the effect of current changes in world politics on the Movement's stand; the strategic partnership between the two continents; contribution of the two regions' common perceptions to the Movement's aspiration; collective responsibilities among the Movement's member countries in exploring and implementing concrete steps to propel economic growth and development; and, the long-term challenges to the Movement.

The publication of this compilation is intended for academicians dealing with international relations in general, and for those who are interested in knowing and understanding the latest development of the Asia-Africa Movement in particular.

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# Making Life Easier for the Defence Planner: Regional Security Cooperation\*

*Ron Huiskens*

ECONOMICS has long been known as the 'dismal science' because you can not really win every plus in one area is a minus somewhere else: income here is a cost there, and revenue to one is a tax to another. Every policy that does good on one front has adverse consequences on other fronts, many of them not at first apparent. Economists, however, are clearly unacquainted with the business of defense planning. If they were, they would readily concede that defense planning is far more deserving of the label 'dismal science'. First of all, the defense planner has no interest whatsoever in the good times. He or she is condemned to live exclusively on the dark side, thinking about how things could go bad, what to do when the wheels fall off.

Moreover, we have had over the past 15 years or so a very bewildering

set of developments and trends that have made living on the dark side profoundly uncomfortable as well as depressing. We have had the end of the Cold War and the emergence of a unipolar global system that no one, including the single global power, knew how to manage particularly well. We are witnessing a China that seems to be on track to acquiring a strategic weight that it has not enjoyed for a couple of centuries at least. Again, this is uncharted territory for everyone, probably including the Chinese.

We are witnessing a United States that, as President Bush forecast in February 2001, is 'redefining war on our terms' and in the process rendering obsolete many of the basic reference points that defense planners around the world have relied upon for the better part of a century. We have witnessed the advent of mass-casualty terrorism. This phenomenon is capable of extreme violence, which should make it the business of the defense forces. But it is an enemy that is numer-

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ically small, armed at best with light weapons, lives in the same space as its targets and never operates in anything resembling a formation. With limited exceptions, notably in intelligence and the Special Forces, national defense forces are very unsuited to countering this challenge. Even in intelligence, the requirement is very distinct from that which supports the defense planning function. And although international terrorism currently has a very high profile, nobody seems to be persuaded that the traditional defense mission—i.e., defense against external threats—is obsolete. Finally, on top of these sweeping global phenomena, this region, and not least Indonesia, was devastated in 1997-98 by an economic crisis that shattered for several years any capacity for the ordered and focused development of defense capability.

Historians often point out that people invariably believe their moment in history to be uniquely turbulent and revolutionary. However, we can be forgiven for believing that we have a stronger case than most of forebears.

### SOME COMMONSENSE PROPOSITIONS<sup>1</sup>

For all countries the objective should be to build a defense capability that is

credible but which also minimizes the risk of raising concerns in the neighborhood and creating the potential for cycles of competitive acquisition. In building a coherent defense capability, it is more valuable to have predictable levels of funding than to aspire to larger, stressful increases that are likely to be unsustainable.

It is difficult to detect a compelling requirement for a significant boost in Indonesia's defense effort, at least if 'boost' is intended to mean a larger fraction of GDP. Significantly skewing the development of military capabilities to try to respond to the challenge of terrorism is likely to be ill-advised. While the US is generating new options for conventional force development at a furious pace, no one can keep up — not even the major powers. For smaller states, the risk of trying to go down too many new paths at the same time is very real. Indonesia should take the time to identify new generic capabilities of particular value to its

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never been and I am confident that I will not become: a defense planner. On the other hand, two of the three large themes that make up the agenda for this session address the business of the defense planner and I could not resist the temptation to set out just how difficult a business this is at the present time while promptly absolving myself of responsibility to provide solutions. What I believe I have been asked to do is to look into the scope to foster a security climate in the region that pushes at least some worst-case scenarios off the radar screen and make the life of the defense planner a little bit easier.

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<sup>1</sup>It has become urgent at this point for me to make a confession. Although I have been an economist, I am not now, I have



unique requirements and set about acquiring them in a form that the armed forces can readily absorb and sustain.

## REGIONAL SECURITY COOPERATION

Regional security cooperation is a potentially powerful tool in this regard. Regional security cooperation is inescapably a political-military process. It is also inescapably a slow process. It takes time to build the sort of confidence that persuades the security community in any particular country that certain security contingencies are remote enough to be ignored from the standpoint of national defense capabilities, and that other reliable tools are available to protect the nation's interests.

A history of multilateral regional cooperation of any kind in East Asia before 1990, let alone cooperation in the security field, would be a rather slim volume. For two decades, ASEAN was a lonely acronym. ASEAN, of course, is emphatically not a security organization. It was certainly hoped and expected that the organization would benefit regional security, but this remained undeclared and the security benefits of economic and political cooperation allowed to emerge indirectly, without fanfare. As far as regional defense cooperation was concerned, there was only the Five Power Defense Arrangement which

focused very carefully just on Malaysia and Singapore.

Since around 1990, however, it has been another story. APEC (Asia Pacific Economic Cooperation) was first introduced in 1959. Then came the ASEAN Regional Forum (ARF), the ASEAN-Europe Meeting (ASEM), both in 1994, ASEAN Plus Three—China, Japan, South Korea—(APT), which developed alongside ASEM but began meeting in its own right in 2000-2001, and the Shanghai Cooperation Organization (SCO) in 2001. Only two of these bodies—ARF and SCO—have a declared focus on security issues.

As far as regional or multilateral security cooperation is concerned, there has been rather more activity than substantive progress. The opportunity to develop an authoritative forum for regional security cooperation has not so far been seized. It could be argued that so long as progress is being made we should be patient and see what the established bodies can accomplish. Unfortunately, the challenges are growing larger and more complex much faster than the capacities of these existing bodies. If we want to see the region's security architecture as made up at least of a triad of alliance arrangements, national defense efforts and a robust process of multilateral security cooperation, the development of the existing processes will have to be deliberately and significantly accelerated.



It is not easy to establish and develop multilateral processes that have real bite, that gradually change the way nations must behave and, indeed, how they want to behave. The lack of any significant tradition of this kind in our region tells us that. The explanation may lie in some combination of physical and strategic geography, and in cultural traits.

On the other hand, the fact that something is *difficult* does not mean that it is unnecessary. Requirements change. Technology has transformed the significance of physical and strategic geography. Furthermore, we have been through the 'Asian values' debate, to be light-hearted about it, the contention that the ancient and mysterious ways of the Orient could accomplish in East Asia what the Europeans needed the EU, the bureaucracy in Brussels, and NATO to accomplish. The outcome of that debate seemed to be a draw. In other words, multilateral processes in East Asia would be very distinctive, but that East Asia too could benefit significantly from the added discipline and predictability that such processes could deliver.

## THE GEOPOLITICS OF EAST ASIA

The reason that East Asia needs to be more determined about developing authoritative multilateral security processes is simple: our region is still quite immature in strategic terms.

In Europe, the post-Cold War strategic order fell into place over a tumultuous but peaceful 2-year period. After the Berlin Wall fell in November 1989 we saw the liberation of East Europe, the dissolution of the Warsaw Pact, the re-unification of Germany, the withdrawal of the Red Army and, finally, the break-up of the Soviet Union. All this was accomplished peacefully in significant measure because NATO and the EU, especially the decades of experience with developing these bodies, provided a robust and reassuring strategic framework.

East Asia, in contrast, hardly seemed to blink when the Cold War ended. Nothing seemed to happen. That was misleading, of course. We all realized pretty quickly that, absent the Soviet Union, the range of possible strategic futures for the region became disturbingly wide. Would the US remain committed to comprehensive engagement in the region? The demise of the Soviet Union brought China's already startling transformation into sharper perspective. How would the bilateral relationships plainly critical to the future of our region—Washington/Beijing and Beijing/Tokyo—evolve in these new circumstances? Not only did the future look too open-ended for comfort, but the suite of tools available to regional governments to manage a potentially turbulent strategic environment was disturbingly thin.



It became something of a conventional wisdom that while the end of the Cold War and the various processes encapsulated by the term 'globalization' had sharply reduced the likelihood of war between major powers, that likelihood was considered to be highest in East Asia. The region has not done too badly since the end of the Cold War. No major new enmities have emerged. Nor could it be said that there has yet been an ominous intensification of old enmities. On the other hand, the warning signs have been rather clear. In particular, US-China relations were worryingly unstable in the 1990s. Whether the stability of recent years is soundly based or more the result of Washington's total pre-occupation with international terrorism is a matter of considerable debate. Similarly, China-Japan relations can hardly be described as mature and stable. These two countries have not engaged in anything like the painstaking reconciliation that France and Germany accomplished in Europe. In Asia, the history issue still lurks just below the surface, and is having a visible impact on how states see their security interests. In the medium and longer-term future, Russia and India also loom as important strategic variables for East Asia's security environment.

The fact is, we live in the region of the world that is both the most dynamic and potentially the most turbulent

and unstable in strategic terms. To manage and contain what are clearly going to be significant and multiple shifts in relationships of power and influence over the coming decades remains a formidable challenge. The region needs all the management tools that it can get its hands on.

In that case, the region still lacks a security forum that includes all the heavyweights and which is invested with the authority and responsibility to seek to preserve security and stability as these strategic developments unfold. Moreover, it has become difficult to be confident that any of the existing processes can mature easily and quickly into what is required.

## ARF AND APEC

For different reasons, two regional processes held some promise of filling this gap in East Asia's array of instruments to manage the security environment. The first of these, of course, is the ARF. ASEAN's push to create this forum in the early 1990s was courageous and far-sighted. ASEAN's success in attracting comprehensive participation was major coup. Naturally enough, this success came at a cost. Some key players were skeptical so it had to be presented as a soft process with modest objectives and a commitment to allow the rate of development to be determined by the most cautious participant. Still, it was a path-breaking



venture, one that set an invaluable precedent in a region that had essentially no tradition of working in this way, especially in the sensitive field of security.

The ARF, however, had another important characteristic. Not only was it established by ASEAN, it was established for ASEAN. ASEAN's ownership of the process has been carefully safeguarded: there is a reminder in virtually every Ministerial statement. ASEAN's broad intent was to try to shape how the major powers engaged Southeast Asia. This was eminently sensible and understandable. The region had been the playground of major powers in the past and it was not a happy experience. This characteristic, however, put walls and a ceiling around the ARF. If ASEAN is in control, if it 'owns' the process, it means that the major powers do not. The dilemma is clear. If ASEAN relinquished control, it is very likely that the major powers would quickly dominate proceedings. It is equally clear that it is the interests and concerns of the major powers, and the extent to which they dovetail or clash, that essentially determine the security climate for everyone in the region.

The ARF has not evolved into a forum in which the major powers talk turkey about how they are going to fit together in a strategic sense, and in which they try to reach understand-

ings, perhaps even agreements, on mutually beneficial constraints on their security and defense programs. Whether and how the ARF can be given more horsepower is a question that deserves some serious political attention.

The other process, APEC, is worth a comment in this context for an entirely different reason. APEC was East Asia's very first foray into multilateralism, and it still bears the characteristics of a prototype. It is composed of economies rather than states and, as Australia's former Foreign Minister, Gareth Evans, once remarked it was four adjectives in search of a noun. APEC has, however, brought the leaders of every country that matters together each year for over a decade. Anybody who has been in politics or the bureaucracy knows how difficult it is to create such a meeting and to keep it going. It suggests, above all, that there is an appetite, a felt need, for Asia Pacific leaders to meet collectively and regularly.

As with the ARF, however, we seem to be stuck in second gear. APEC's formal purpose is trade liberalization, a hugely important objective to be sure but just as hugely wasteful of the potential inherent in a gathering of Asia Pacific leaders. A meeting of political leaders should have a matching agenda, namely, all the big issues impinging on the region be they political, economic, environmental, security or



whatever. It is true that much goes on in the margins of these meetings. It is also true that APEC has occasionally addressed major non-trade issues like East Timor and international terrorism. But these were special, ad hoc cases. For some reason, we have lacked the political will to do what seems so obvious, that is, re-label the leaders meeting as the peak regional body with the authority and responsibility to address the full gamut of issues affecting the future of our region. Such a leaders forum could obviously develop productive two-way relations with the more specialized bodies like APEC (which would be led by trade ministers) and the ARF.

It is surprising that no government or group of governments has decided to take a hard look at what a more functional structure of regional dialogues might look like, and at a political game plan to put it in place.

The political risks involved in thinking about these things have fallen sharply in recent years. Thanks in no small part to the several forums sponsored by ASEAN the former suspicions about multilateral processes have eroded substantially. The movement in China's attitude has been quite stark and, of course, of great importance. From a very guarded standing point, China has gradually become more comfortable with and active in the ARF. China has been active

and bold in the ASEAN Plus Three (APT) since this process separated from the ASEAN-Europe meeting in 2000-2001 and became a forum in its own right. Indeed, China has encouraged this body to broaden its remit beyond trade and economic cooperation to include issues like terrorism and transnational crime. In the Shanghai Cooperation Organization (SCO), a body essentially created by China in 2000, foreign and defense ministers met in parallel meetings from the very beginning, and its members were soon engaged in limited military exercises.

Clearly, an important explanation for China's prolonged caution in the ARF compared to the SCO and the APT is that it has a greater sense of control and ownership in the latter two. It seems that the APT in particular has structure, coherence and momentum, and is the organization to watch. At the same time, precedents set in one body can be powerful sources of leverage for progress in others.

Maintaining peace and security in East Asia remains a formidable challenge, one that will provide a serious test of the region's statesmanship and diplomacy into the indefinite future. In terms of the tools potentially available to leaders to address this challenge, the region remains seriously under-equipped in that it still lacks an authoritative multilateral security forum. To the extent this remains the case,



states will lean more heavily on the two other security instruments at their disposal, namely, national defense efforts, and alliance arrangements. In terms of solutions, the APEC leaders meeting is being grossly under-utilized and that a close examination of the possibility of recasting this meeting as the peak body for our region seems long overdue.

ASEAN could look into the modalities of the ART from the standpoint of its potential to grow into the security and defense forum for the whole of East Asia. An interesting policy issue on this front, one that ASEAN may wish to think about quite carefully, could arise in the near future. A number of proposals have been made over the years for a multilateral security forum focused specifically on the crowded strategic arena in Northeast Asia. These proposals did not get very far, but we now have the 6-Party group addressing North Korea's nuclear aspirations. And James Kelly, the leader of the US delegation in the 6-Party process, has flagged the possibility that the group could continue to function beyond the North Korea issue as a multilateral security forum for this key sub-region. If this happens, and the case for it is compelling, ASEAN should probably be thinking about the sort of relationship between the ARF and this new body that would best serve its interests, and, of course, about how it might go about securing a beneficial outcome.

## INCLUDING DEFENSE MINISTERS IN THE ARF

Both these ideas constitute what might be termed high policy. They address the very basic characteristics of the regional security processes as they have evolved to this point. Getting defense ministers fully and directly involved in the business of the ARF will add important new vigor and substance to the ARF.

A visitor from Mars, looking at the history of defense involvement in the ARF, would reasonably conclude that everyone in the region associated with a defense ministry had some form of communicable disease. Even though the business of the ARF is the business of defense ministries, their association with this forum has clearly been a matter of the greatest sensitivity. The most recent incremental movement, the result of a Chinese initiative, has taken the form of a security policy conference at the senior officials level. The first of these, chaired by Indonesia, was held in Beijing on 4-6 November 2004. Defense officials have the same standing at those from foreign ministries, and there is scope for them to propose topics for the agenda. A report of the discussions in the security conference is to be sent to the Senior Officials Meeting, the main body servicing the annual meeting of foreign ministers.

Defense involvement has been so painstaking a process over the past decade that a London-based organization,



the International Institute for Strategic Studies, saw a niche for what became known as the Shangri-la Dialogue, a compact, high-level academic gathering specifically designed to attract the participation of defense ministers. The Shangri-la Dialogue is loosely modeled on Europe's Werkekunde conference, a well-established event at which European and North American defense ministers can meet informally under Chatham House rules with senior academics. In Europe, however, the event complements a heavy diet of official defense ministerial meetings. In Asia, we are doing it the other way around.

The participation of regional defense ministers in the Shangri-la Dialogue has been sufficiently strong to consolidate the event on the regional calendar. Plainly, however, neither in terms of substance nor symbolism can the event substitute for a meeting of defense ministers as an integral part of the ARF process. An ARF defense ministers forum would make an important statement about confidence in and the growing maturity of the multilateral security dialogue in the region. It would help nudge the ARF toward more substantive consideration of security issues and provide perhaps the surest way for ARF objectives and processes to be internalized by ministries of defense and by defense forces.

Consider, for example, what an inaugural defense ministers forum might say in a concluding statement:

- Ministers have the grave responsibility of providing for national security;
- We are aware that the security of our nations is interdependent and that what each of us does can influence the perceptions and actions of others;
- We believe that greater mutual understanding is fundamental to managing this interdependence constructively and to the benefit of all;
- All of us desire to maintain a positive security outlook. Our nations can ill-afford the resources needed to cope with a more adverse security environment;
- We all seek to provide for security in ways that are non-provocative and absorb a minimum of resources;
- We all recognize that transparency, communication and dialogue are important to protecting a positive security environment and avoiding excessive accumulations of armaments,
- We resolve to play our full part in building the ARF into a strong additional pillar of the security architecture in our region.

All these points have a distinctive defense flavor, and they are individually unexceptional and therefore difficult to contest. But this list of uncontroversial propositions would



even constitute a landmark statement for our region if it was issued by the region's defense ministers.

The wider political context here is, first, that the development of multilateral security processes in our region needs to be invested with greater political urgency and, second, that the ARF probably needs to think carefully but boldly about how to maintain its preeminent status.

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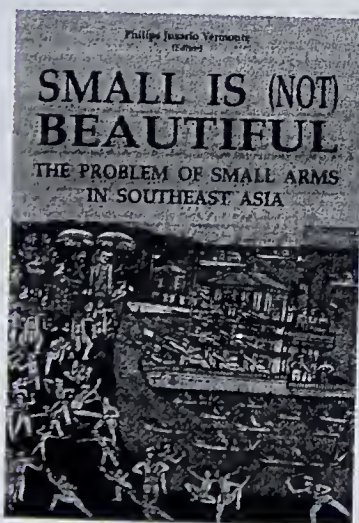
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# SMALL IS (NOT) BEAUTIFUL

## THE PROBLEM OF SMALL ARMS IN SOUTHEAST ASIA



*Edited by:* Philips Jusario Vermonte

*Published by:* Centre for Strategic and International Studies (CSIS), Jakarta.

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*Contributors:* Rizal Sukma, Edy Prasetyono, Landry Haryo Subianto, Thitinan Pongsudhirak, Herman Joseph S. Kraft, Philips J. Vermonte.

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# Traditional Security Issues with Regard to the US Role in the Asia Pacific Region\*

*Brad Glosserman*

## INTRODUCTION

**T**HIS is an era of transformation. Some liken the shift in global politics that is occurring today to the shift of power from Asia to Europe 500 years ago, or from the UK to the United States in the 19th century. Understanding the contours of the future geopolitical landscape is difficult since the evolution is unfolding and the changes themselves are dynamic, acting upon each other. Charting the future is akin to trying to understand a typhoon while standing in the middle of the storm.

This paper will discuss US policy toward Asia, China's rise, and strategic balance, each of those topics loses much of its cogency when considered

in isolation. Critical policy debates will focus on the interaction of the three. Nevertheless, the comments that follow outline US interests and roles in the Asia Pacific region, the rise of China, and its implications for the US presence in the region.

## THE US INTERESTS IN ASIA

The United States is a Pacific power. Hawaii gives the US a physical presence in the region. Secretary of State Colin Powell has pledged: "America's commitment to Asia's security and stability is an enduring one . . . We are a Pacific power. We will not yield our strategic position in Asia."<sup>1</sup> The US has many reasons to remain engaged.

The first is economic. Two-way US trade with the economies of East Asia and the Pacific totaled \$607 billion in

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\*A paper presented at the Indodefence Forum on "Regional Defence Strategies: Cooperation in a Changing World", Jakarta, Indonesia, 25-26 November 2004.

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<sup>1</sup>Colin Powell, Asia Society Annual Dinner, 10 June 2002.



2003, accounting for 31% of total US international trade. Trade with NAFTA partners accounted for 31.7%, and Europe accounted for 23%. Four of America's top 10 trading partners were in the East Asia and Pacific region — Japan, China, South Korea, and Taiwan.<sup>2</sup> Between 1990 and 2000, exports of American products to Asia grew by over 80% and imports to the United States from Asia and went up 150%. US direct investment in Asia nearly tripled during the past decade to over \$200 billion, roughly equal to the amount Asians have invested in the United States.<sup>3</sup> US policy makers and security planners recognize the growing role that Asia is playing in the global economy and are adjusting their thinking accordingly.<sup>4</sup>

This US interest is longstanding. According to Adm. Michael McDevitt, a strategist and historian, "the primary motivation behind US statecraft in all of its manifestations of the past 200 odd years has been to be included in—or perhaps more aptly, not to be excluded from—East Asia. America's policy prescriptions for Asia—in other words, its strategic choices—have revolved around that simple objective."<sup>5</sup>

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<sup>2</sup><http://www.state.gov/e/eb/tp/c10329.htm>

<sup>3</sup>Powell, 10 June 2002.

<sup>4</sup>See for example, the comments of Rear. Adm. Joseph Walsh, in *Pacific Daily News*. 31 October 2004.

<sup>5</sup>Paul D. Taylor (ed.), *Asia and the Pacific: US Strategic Traditions and Regional Real-*

Washington also wants to ensure that no other nation can utilize that wealth, and the power that it confers, against US interests and allies. A study by the Rand Corporation concluded that "the United States must begin to formulate a strategy aimed at a pivotal long-term objective: preventing the worsening of the security situation in Asia. Central to this objective is the need to preclude the rise of a regional or continental hegemon. This is important for two main reasons: to prevent the United States from being denied economic, political, and military access to an important part of the globe; and to prevent a concentration of resources that could support a global challenge to the United States on the order of that posed by the former Soviet Union."<sup>6</sup>

In addition, there are values shared by the US and many regional states. Hard-bitten realists may denigrate "values" when discussing strategic interests, but governments underestimate them at their peril. Mutual concerns for democracy, human rights, and other forms of individual expression have created a political and philosophical community. There is a shared desire for market-based economic systems and the wealth and prosperity

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*ities* (Newport: Naval War College Press, 2001), 101.

<sup>6</sup>Zalmay Khalilzad et al., *The United States and Asia: Toward a New U.S. Strategy and Force Posture* (Santa Monica, California: Rand, 2001), 43.

they create. The US and other Asian nations are convinced that these values perpetuate peace and stability, and are committed to their spread throughout the region.

These interests are longstanding. Since 11 September 2001, Asia and Southeast Asia in particular have become the focus of another US concern: terrorism. In the aftermath of those attacks, US officials frequently referred to Southeast Asia as "the second front in the war on terror."<sup>7</sup> The most recent edition of the US State Department report, "Patterns of Global Terrorism" concludes that "the Asia-Pacific region, primarily Southeast Asia, is an attractive theater of support and logistics for Al-Qaida and a theater of operations for the regional terrorist group Jemaah Islamiya, acting alone or in collaboration with indigenous extremist groups."<sup>8</sup>

The United States has a panoply of instruments to safeguard those interests and advance its objectives. There is continuous diplomatic activity and billions of dollars of economic assistance that supports projects ranging from infrastructure development to education curricula. The hundreds of billions of dollars that US companies

have invested is perhaps the most important dimension of this engagement. The presence of US companies, the transfer of technology, skills and know how has been instrumental in shaping regional perceptions of the US and polishing its image. The US business presence is part of a wider array of forces that have encouraged thousands of Asians to visit and study in the US. This is the much vaunted—and much misunderstood—"soft power" of the US. While this is notoriously difficult to pin down, understandably soft power is the real underpinning of US leadership in Asia and the world.

Another vital tool is the alliance system that has been developed since World War II. Bilateral alliances with Japan, the Republic of Korea, the Philippines, Australia, Singapore and Thailand help ensure continued US engagement with the region. That presence provides the bedrock of regional peace and security. The countries of the region use that foundation of stability to focus on economic growth and prosperity.

Much has been made of the awesome US military machine and its capacity to "shock and awe" its adversaries. Amazing as that military prowess is, and despite the US commitment to maintaining unassailable superiority—the goal laid out in the *National Security Strategy*—the truth is that the US cannot achieve many of

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<sup>7</sup>See for example, *Terrorism in Southeast Asia*, CRS Report to Congress, 13 August 2004, CRS-1.

<sup>8</sup>US State Department, *Patterns of Global Terrorism* 2003, 29 April 2004.



its most important objectives acting alone. Events of the last few years have made that abundantly clear, even if the US administration sometimes acts as if that is not true. The limits of US power make alliances critical. Those limits also mean that the US has to pay considerable attention to the balance of power in Asia and the alignment of nations within the region.

## THE RISE OF CHINA

Much has been written about the rise of China. Yet, China experts, military specialists, and fortune-tellers should ascertain whether China's growth is sustainable and how it will shape that country's development. Nonetheless, while straight-line projections are dangerous, it is clear that China is emerging and has already set off a tectonic shift in the international system. China is getting wealthier, and its growth is a springboard for its neighbors. Much of Japan's recent recovery is the result of China's voracious appetite for imports. If Asia is finally taking its place as the third pillar of the global economy—with all the political influence that goes with it—then China gets much of the credit. Internally, China's wealth is fueling military modernization. Externally, it provides a foundation for a confidence and dynamism in Beijing that is transforming diplomacy and economic relations in East Asia.

Chinese policy makers and scholars have studied history. They are well acquainted with the instability that accompanies the rise of most new powers and are doing their best to assuage concerns that China will upset the regional order as their country emerges. At every opportunity, Chinese experts expound the theory of "peaceful rise" (although that particular term has fallen out of favor), reassuring neighbors and other concerned nations that China will not provoke instability.

The US accepts China's rise; and in fact it is in no position to oppose it. Adm. Thomas Fargo, combatant commander of the Pacific Command, was explicit in a recent speech. "I don't think the United States is threatened by a successful and peaceful China. On the contrary, we all have a vested interest in it, and our economic linkages are growing. ... The United States imported \$125 billion in Chinese goods during the first 10 months of 2003."<sup>9</sup> Two-way US trade with China totaled \$180 billion in 2003. China has become the third largest trading partner with the US.<sup>10</sup>

It is hard to avoid the conclusion that the US has helped China re-emerge, opening its doors to scholars,

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<sup>9</sup>Adm. Thomas Fargo, Commander, US Pacific Command, Asia-Pacific Research Center, Stanford Institute for International Studies, Stanford, California, 14 January 2004.

<sup>10</sup>*ibid.*



students and others—unlike the case of the former Soviet Union—and providing capital, technology and other forms of support; in one key example, Washington backed China's bid for membership in the World Trade Organization. There are suspicions of long-term Chinese intentions, but voices favoring engagement have prevailed. US policymakers have encouraged China to take a responsible and positive role in regional and global affairs. They know that treating a country like an enemy is the best way to ensure it becomes one.

Early in his term as secretary of state, Colin Powell explained, "A strategic partner China is not, but neither is China our inevitable and implacable foe. China is a competitor, a potential regional rival, but it is also a trading partner willing to cooperate in areas where strategic interests overlap. China is all these things, but China is not an enemy, and our challenge is to keep it that way."<sup>11</sup> More recently, Powell said that US relations with China are the best they have ever been.<sup>12</sup>

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<sup>11</sup>Andrew Scobell, "Crouching Korea, Hidden China: Bush Administration Policy toward Pyongyang and Beijing," *Asian Survey* (March/April 2002): 364.

<sup>12</sup>For a history of relations during this administration, see the chapters on US-China relations in *Comparative Connections*, the Pacific Forum's quarterly electronic journal of international relations, at [www.csis.org/pacforum.html](http://www.csis.org/pacforum.html). It is worth noting that Chinese do not share Mr. Powell's assessment.

Even a "neo-con" like Paul Wolfowitz, number two at the Department of Defense, concurs, noting "historically, the emergence of a major new power has frequently threatened the stability of the existing order, but we can be much more hopeful of a positive outcome in China's case because all the countries of the region are prepared to welcome a strong Chinese role in a constructive regional order."<sup>13</sup>

Official US policy is spelled out in the *National Security Strategy* (NSS). In it, the door is opened to countries that are willing to work with Washington in the pursuit of shared objectives. The NSS notes that "The United States relationship with China is an important part of our strategy to promote a stable, peaceful, and prosperous Asia-Pacific region. We welcome the emergence of a strong, peaceful, and prosperous China. ... The United States seeks a constructive relationship with a changing China. We already cooperate well where our interests overlap, including the current war on terrorism and in promoting stability on the Korean peninsula. Likewise, we have coordinated on the future of Afghanistan and have initiated a comprehensive dialogue on counterterrorism and similar transitional concerns." Adm. Fargo explained how that strategy can be put into practice. "For example,

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<sup>13</sup>Paul Wolfowitz, Speech to the IISS Shangri-La Dialogue, Singapore, 1 June 2002.



energy security is a primary concern for most Asian nations, chief among them a growing China, which will double its oil imports by 2020. Sharing and protecting both energy resources and the sea lines of communication to move them is a primary security task in which all Pacific nations have a vested interest. We welcome China's cooperation and even leadership on these and other issues such as terrorism, and most importantly, peaceful resolution of the North Korea nuclear situation."<sup>14</sup>

For all the cooperation, views are not monolithic. Some of the strongest dissents are heard from the Pentagon. That is natural as military planners worry about worst-case scenarios: that is their job. But the proper characterization of their approach is "hedging": preparing for the worst but not necessarily expecting it.

The writer of this paper is not a China watcher, nor a military specialist. The judgment among those who are is that China poses no immediate military threat to the US. One prominent military analyst concludes that "The ongoing modernization of the Chinese military poses less of a threat to the United States than recent studies by the Pentagon and a congressionally mandated commission have posited. Both studies exaggerate the strength

of China's military by focusing on the modest improvements of specific sectors rather than the still-antiquated overall state of Chinese forces."<sup>15</sup> A survey of studies concludes "there appears to be a consensus among most US assessments that the PRC is engaged in a determined effort to modernize its armed forces to fight and win 'limited wars under high-tech conditions.'"<sup>16</sup> That analyst's own conclusion is that "the PRC is making absolute gains in terms of military capabilities, adding more and better military equipment to its arsenal, improving troop training and professionalization, and attempting to lay the groundwork for a long-term improvement in its defense technology and industrial ties. ...beyond these points however, recent US assessments continue to differ as to the significance of these development when it comes to increasing relative Chinese military power and its implications for US security."<sup>17</sup>

The focus of China's efforts is Taiwan. The PRC is doing its best to complicate US defense planning in the event of a cross-Strait contingency, seeking

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<sup>15</sup>Ivan Eland, "Is Chinese Military Modernization a Threat to the United States," Cato Institute Policy Analysis, No. 465, 23 January 2003, 1.

<sup>16</sup>Richard Bitzinger, "A Paper Tiger No More: The U.S. Debate over China's Military Modernization," in *Asia's China Debate*, Asia Pacific Center for Security Studies Special Assessment, December 2003, 15-2.

<sup>17</sup>*Ibid*, 15-7.

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<sup>14</sup>Fargo, *op cit*.

ways to deter, delay and complicate US efforts to intervene on behalf of Taiwan. Chinese capabilities have improved and are improving, but US planners are confident that they will prevail in a crisis. That assessment may change in a decade—or may be irrelevant to Chinese considerations if the Beijing leadership feels that it must respond to Taiwanese provocations—but today China's military modernization (including that of its nuclear arsenal) is more of a medium- or long-term concern than an immediate threat. The International Crisis Group agrees. "During the present decade, [China] will not be able to field a force large enough or capable enough to conduct an effective blockade if Taiwan chooses to resist. Nor could it count on being able to do so at any later time ... Indeed on the basis of current trends, it is unlikely to be able to acquire air superiority needed to execute even a partial blockade."<sup>18</sup>

## CHINA'S REAL CHALLENGE

It is a mistake to frame the Chinese challenge to the existing regional order in purely military terms, however. Indeed, the real threat is *strategic* — the US and other nations must be prepared for China's attempts to reshape the conceptualization of the Asia-Pacific

regional order. Beijing has been working for some time on changing regional perceptions of China and its role. China aims at creating a more benign impression of China to ease concerns about the role it may take as it re-emerges. Thus far, it seems to be working.

The process was underway in the 1990s, when Beijing embraced "smile diplomacy" with Southeast Asian nations, endeavoring to improve relations with its neighbors to the south. China sent its best diplomats to those capitals and reassured them that fears of a meddling China, eager to exploit ideology or use native Chinese populations as a fifth column, were unfounded. China signed ASEAN's Treaty of Amity and Cooperation after working out a declaration on a Code of Conduct on the South China Sea that was designed to diffuse a critical sticking point in relations between Beijing and ASEAN. Both of those gestures were successful: concern about China's rise diminished. The forging of a new economic relationship, embodied in the China-ASEAN Free Trade Agreement, has also helped blunt concerns about the impact of China's economic development—fears that it would divert investment and trade from the region and come at the expense of ASEAN. Southeast Asian governments (like the rest of East Asia) now believe—or at least argue—that China's rise is a "win-win" proposition.

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<sup>18</sup>Taiwan Strait II: The Risk of War, International Crisis Group, Report No. 54, 6 June 2003, i.



Having secured its southern flank, Beijing turned its attention northward. While the second North Korea nuclear crisis posed a threat to peace and stability on China's northeast border, it also offered an opportunity: by inserting itself into the middle of the diplomatic process, Beijing could demonstrate that it is a responsible partner in regional security relations. Hosting multilateral talks, first in a trilateral, then a six party format, put China at the heart of Northeast Asian security affairs.

Perceptions of China have also been shaped by Beijing's embrace of multilateralism. After decades of hostility to such efforts, China appears to have been converted, having helped found the Shanghai Five (now the Shanghai Cooperation Organization), contributing to the ASEAN Regional Forum, joining the WTO, and joining multilateral regimes in various fields, including arms control. The readiness to have defense ministers meet under the auspices of the ARF—a Chinese suggestion no less—is a telling indication of how far Beijing has come.

One of the most significant multilateral initiatives is China's embrace of the ASEAN Plus Three process. The meaning of this effort is still unclear, but we underestimate it at our peril. ASEAN Plus Three represents the first serious attempt to forge a real pan-Asian political identity. While this process is just beginning, it is potentially

very significant. It links the entire region in a coherent fashion and is slowly building the web of relationships, in a variety of fields, that could provide the foundation for a politically coherent "Asia." And China has put itself at the very center of this process.

This is the real China threat. Beijing is offering an alternative organizing principle for the nations of Asia and is doing its best to show then that this alternative serves them as well as it does China. This is a long-term and unfolding process. To further quiet concern, Chinese interlocutors note at every opportunity that they appreciate the US commitment to the region and agree that it plays a positive role. (They are less accepting of US alliances, calling them Cold War leftovers and pressing for their elimination.) That last comment—for now—is usually overlooked (it's frequently said sotto voce), but it implies that there will come a time when the US is not needed to help stabilize the region.

The world got a glimpse of this evolving landscape last year when Presidents Bush and Hu visited Australia one after the other and each addressed that country's Parliament. Bush gave his standard post Sept. 11 stump speech, denouncing terrorism and calling for unity in this fight. He applauded a critically, but painted a dark picture. Hu's speech was more wide ranging, more optimistic. Bush was darkness, Hu was light. The contrast



was apparent throughout Bush's Asia tour, which began at the APEC leaders summit in Bangkok. One critic complained "Bush came to an economic group [APEC] and talked obsessively about terror. He sees all of us through that one prism. Yes, we worry about terror, but frankly that's not the sum of our lives. We have many other problems. We're retooling our economies, we're wondering how to deal with the rise of China, we're trying to address health, social and environmental problems. Hu talked about all this; he talked about our agenda, not just his agenda."<sup>19</sup> As one US commentator warned, "the head of the Chinese Communist Party is seen as presenting the world with a more progressive agenda than the president of the world's leading democracy."<sup>20</sup>

## THE GLOBAL POSTURE REVIEW

As this competition unfolds, the US must make sure that it does not send the wrong signals about its intentions. Given the enduring US interests outlined at the beginning of this paper, that should be easy. But poor communication and governments looking for ways to rationalize acceptance of China's new role will make confusion possible, if not likely. The Global

Posture Review (GPR) needs to be seen in this light.

Defense Secretary Donald Rumsfeld took office determined to shake up the U.S. military, to modernize and reconfigure its forces, doctrines and deployments. He got to work almost immediately, and a key component of the Rumsfeld mindset was a shift in US attention and deployments eastward, away from Europe toward Asia. Sept. 11 had a profound impact on this process. The rise of terrorism as a national security priority validated new thinking about threats and responses. Afghanistan and Iraq provided laboratories for new fighting doctrines. But the shift of focus from Europe to Asia halted as the US got "stuck" over Southwest Asia. Strains on US forces forced Washington to sacrifice some coherence in its redeployments to meet rising demands in theater. The scramble to find support and the mixed response to the US-led invasion of Iraq provided ample opportunities for miscommunication. The best example of this is in the Republic of Korea, where there is the mistaken belief that the US decision to cut forces there by one-third is thought to be the product of US frustration with political developments in Seoul.<sup>21</sup>

While many of the details of the GPR are not fixed, and will be worked out

<sup>19</sup>Karim Maslan, quoted by Fareed Zakaria, "No Way to Make Friends," *Newsweek*, 8 December 2003.

<sup>20</sup>Fareed Zakaria in *ibid*.

<sup>21</sup>See for example, Ralph Cossa, "US-ROK Relations: Silencing the Loose Cans," *PacNet* #48, 3 November 2004.



other affected nations, one thing is clear: The GPR is designed to strengthen the US commitment to Asia, not weaken it. US officials recognize the region's rising global role and significance. As one example, the US Navy is thinking of breaking with its tradition of balancing the number of attack submarines in the Atlantic and the Pacific and basing more in the Pacific to be ready for contingencies there.<sup>22</sup>

Poorly handled, the GPR will raise questions about the US commitment to

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<sup>22</sup>*Pacific Daily News*. 31 October 2004, op.cit. note. 4.

Asia, especially among publics that do not trust the US or have serious disagreements with its policies. This is problematic at the best of times, but it becomes especially dangerous when a potential rival is there to provide an alternative regional order that diminishes the US role. That is the immediate challenge for US foreign policy: devising a strategic rationale for a leading role for the US that is convincing to Asians and Americans alike. It will require considerably more dexterity than we have shown in recent years. We are up to that challenge but we will need help.

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#### Current Events:

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